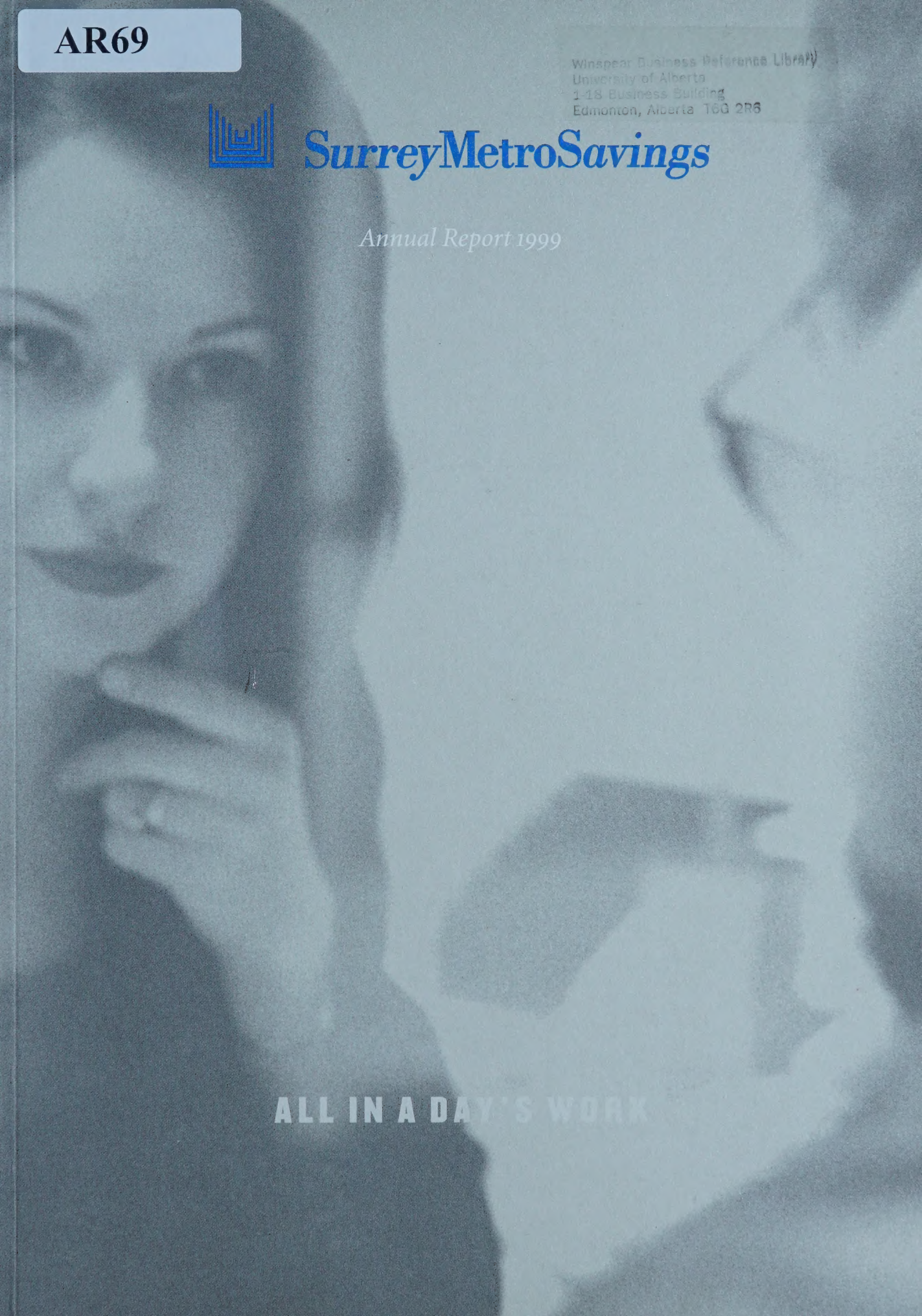
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SurreyMetroSavings

Annual Report 1999



About the Credit Union

Surrey Metro Savings was incorporated in 1947 and has grown to become Canada's second largest Credit Union, with more than $2.3 billion in assets. It offers a full range of retail banking services and also operates a Commercial Lending Unit. Surrey Metro Savings provides its services through 17 retail branches and a centralized telephone call centre serving the communities of Surrey, Langley, White Rock, Delta, Abbotsford, and Chilliwack. These communities form part of the Fraser Valley, a region with an estimated population of 750,000. Historically, this area has been one of the fastest growing regions in Canada.

The Credit Union also owns Metro Insurance Services Ltd., which has five insurance offices, and Shoreline Projects Ltd., a provider of mezzanine financing. Surrey Metro Savings is incorporated under the Credit Union Incorporation Act of British Columbia and also operates under the regulations of the Financial Institutions Act of British Columbia. Depositors are protected up to $100,000 by the Credit Union Deposit Insurance Corporation of British Columbia. The Credit Union's non-voting shares are listed on The Toronto Stock Exchange under the symbol SMS.

Our Exciting New Vision

"To earn the highest level of customer satisfaction in the financial services industry."

In September 1999, Surrey Metro Savings launched a new corporate vision involving every employee in our organization. It represents a journey that we will all embark upon together as we strive to earn the highest level of customer satisfaction in the financial services industry.

The Vision not only affects all of us; it was created by all of us. It is the end result of an extensive series of meetings and input sessions that included the Board of Directors, the Executive team, and more importantly, our staff.

Our members have also helped create the Vision. Through research, quarterly member feedback sessions and their daily interaction with staff, we discovered that our members love the superior service we provide, and they want to see more of it. Our Vision is the answer to their request.

4 / Letter to Shareholders, Members, and Employees

8 / All in a Day's Work

16 / Performance Against Objectives

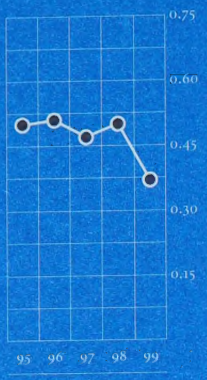
16 / Financial Review Contents

39 / Corporate Governance

41 / Corporate Information

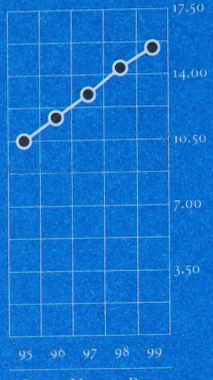
This Annual Report contains forward-looking statements about the operations, objectives, and expected financial performance of Surrey Metro Savings. These statements are subject to risks and uncertainties. Actual results may differ depending on a number of factors, including but not limited to, legislative or regulatory changes, competition, technological changes, interest rates, and general economic conditions in British Columbia and Canada. These issues should be given careful consideration and readers should not place undue reliance on Surrey Metro Savings' forward-looking statements.

EACH DAY IS A BUSY AND EXCITING ONE AT SURREY METRO SAVINGS. EVERY EMPLOYEE IS A VALUED PART OF OUR TEAM AND WORKS HARD TO PROVIDE AN OUTSTANDING LEVEL OF SERVICE TO OUR MEMBERS. REGARDLESS OF WHETHER WE WORK AT THE BRANCHES, AT THE CALL CENTRE, AT OUR INSURANCE OFFICES, OR AT THE ADMINISTRATION OFFICE, WE'RE ALL COMMITTED TO ENSURING THE CONTINUED SUCCESS OF OUR CREDIT UNION – IT'S ALL IN A DAY'S WORK.



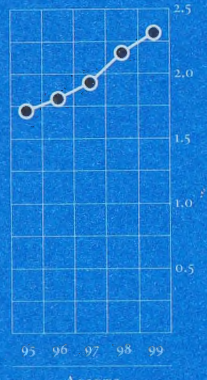
Return on Average Assets
in percent

Decreased earnings resulted in a lower ROAA at 0.37% versus 0.50% in 1998.



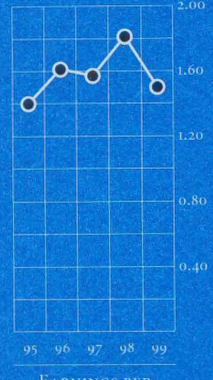
Book Value Per Non-Voting Share
in dollars

Book value increased by $1.10 as a direct result of earnings retained.



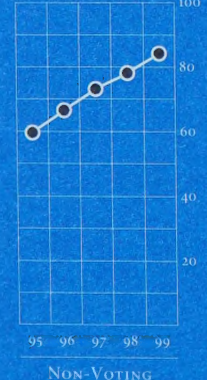
Assets
in billions of dollars

Asset growth was 7.2% as compared to 11.9% in 1998.



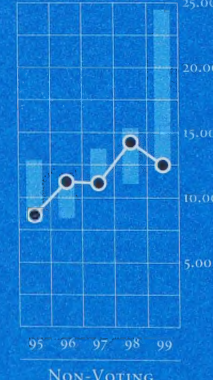
Earnings per Non-Voting Share
in dollars

Earnings decreased from $1.81 to $1.50.



Non-Voting Shareholders' Equity
in millions of dollars

Non-voting share equity grew by 7.7%.



Non-Voting Shares Trading Ranges
in dollars

● close
(December 31)

OPPORTUNITIES TO CONSOLIDATE In February, Surrey Metro Savings announced a proposed merger with Canada Trust. The transaction did not proceed as it did not receive the required two-thirds vote of approval from the membership, although the non-voting shareholders voted in favour of the merger.

In October, we were invited to join the ongoing merger discussions with Richmond Savings and Gulf & Fraser credit unions. After considerable analysis, Surrey Metro Savings withdrew from the merger discussion as circumstances inhibited reaching agreement on the terms for a business combination.

COMMON BOND EXPANDED At the Annual General Meeting, members voted to amend the Credit Union's Rules and expand the common bond of membership to encompass the entire geographic area of British Columbia.

INDEPENDENT TASK FORCE An independently chaired Task Force was established to gather views from various stakeholders regarding the future direction of the Credit Union.

COMMUNITY VISA LAUNCHED We formed an exciting new partnership with Community Card Services to offer our members six different Visa cards, including three Gold cards.

CONFIDENCE IN BOARD OF DIRECTORS DEMONSTRATED A small group of concerned members filed a petition to remove the Board at a special general membership meeting. The resolution failed to receive the support of the membership and was defeated.

NEW CORPORATE VISION Focussing on our established reputation as an extraordinary service provider, we launched our new corporate vision, "To earn the highest level of customer satisfaction in the financial services industry."

SUPPORT FOR OUR COMMUNITIES In addition to donating more than $175,000 to the communities it serves, Surrey Metro Savings, its employees and Directors, also donated $132,464 to the United Way, a new company record.

BRANCH RENOVATION Delta Branch was completely renovated to provide members with a modern and attractive environment in which to conduct their banking business.

YEAR 2000 INITIATIVE Our Year 2000 Project was completed on time, within budget and without any computer functions experiencing any date-related issues.

December 31	% Change	1999	1998
BALANCE SHEET *in thousands of dollars*			
Assets	7.2	**2,313,105**	2,158,710
Loans	7.0	**1,928,833**	1,803,044
Deposits	6.2	**2,134,861**	2,009,454
Non-voting share equity	7.7	**84,146**	78,123
RESULTS OF OPERATIONS *in thousands of dollars*			
Net interest income	-0.1	**49,407**	49,463
Other income	1.7	**16,572**	16,295
Non-interest expenses	6.1	**53,252**	50,201
Net income	-19.2	**8,161**	10,105
FINANCIAL STATISTICS			
Operating efficiency *in percent*		**80.71**	76.34
Return on average non-voting share equity *in percent*		**10.08**	13.31
Return on average assets *in percent*		**0.37**	0.50
Earnings per non-voting share *in dollars*		**1.50**	1.81
Earnings per non-voting share fully diluted *in dollars*		**1.41**	1.74
Number of non-voting shares outstanding *in thousands*			
As at basic		**5,455**	5,451
As at fully diluted		**5,781**	5,772
Average basic		**5,455**	5,571
Average fully diluted		**5,779**	5,816
SELECTED AVERAGE BALANCES *in thousands of dollars*			
Assets		**2,178,161**	2,010,710
Loans		**1,872,349**	1,743,374
Deposits		**1,927,207**	1,743,545
Borrowings		**116,462**	140,200
Non-voting share equity		**80,783**	75,934
DIVIDENDS			
Preferred shares *in percent*		**6.43**	6.66
Non-voting shares *in dollars*		**0.40**	0.40
NON-VOTING SHARES *in dollars*			
High		**24.45**	15.35
Low		**12.05**	11.05
Close (December 31)		**12.50**	14.25
Book value (basic)		**15.43**	14.33

Surrey Metro Savings experienced an eventful 1999. We explored two different merger opportunities with the intent of positioning ourselves for future growth and competitiveness, and for providing value and opportunities for employees, members, and non-voting shareholders.

Although earnings declined year over year, our performance was reasonable in light of the year's extraordinary events. We ended the year with a strong capital position, a solid loan portfolio, a diversified funding base, well-formulated business initiatives for 2000, and a new vision: to earn the highest level of customer satisfaction in the financial services industry.

In February, we brought forward a merger agreement with Canada Trust. The proposed transaction was discussed in full detail in last year's annual report. This initiative failed to win the approval of the members, although it achieved the necessary two-thirds vote from non-voting shareholders.

Following this initiative, a small group of concerned members filed a petition to remove the Board of Directors at a special general membership meeting held in August. This special resolution failed as it did not meet the two-thirds vote requirement. In response to this petition, the Board established an independently chaired task force from among member groups to gather and distill various views regarding the future direction of the Credit Union.

The task force report was delivered to the Board in July, and in September the Board met with the group to discuss their findings. As a result, many of the committee's key recommendations were implemented and acted upon, as detailed in a separate report to the membership.

In October, Surrey Metro Savings was invited to join the ongoing merger discussions between Richmond Savings and Gulf & Fraser credit unions. This exciting opportunity was presented to us in the context of Surrey Metro Savings fully redeeming its non-voting shares. After considerable discussion and analysis, we announced in December that the prevailing circumstances inhibited reaching agreement on the terms for a combination of the three organizations.

Overall, it was a busy year for the employees, members, and the non-voting shareholders.

FINANCIAL PERFORMANCE

In view of the previously mentioned activities, Surrey Metro Savings' earnings were adversely affected. The costs associated with evaluating and considering merger proposals, communicating with the membership, and holding special general meetings impacted the Credit Union's performance.

Surrey Metro Savings' net income for 1999 was $8.2 million, a decrease of 19.2% from the $10.1 million achieved in 1998. Earnings per share dropped to $1.50 from $1.81. Interest income year over year increased $6.8 million. However, interest expense increased $6.9 million, resulting in a slight decrease in net interest income. Expressed as a percentage of average assets, net interest income decreased to 2.27% from 2.46% on a year-over-year basis.

There are two significant factors that account for this decrease: the excessive competition for residential mortgages, and retail deposits. Other income grew 1.7% in 1999 with non-interest expenses up 6.1%.

As a result of increased deposit growth in the fourth quarter, Surrey Metro Savings was able to reduce its effective tax rate to 25% from the 40% it had accrued during the year. These savings were largely offset by an increase in the annual provision for credit losses of $0.5 million, an accrual for a wealth management study commenced in 1999, an accrual for employee future benefits, and a provision for general expenses related to merger activities. The employee future benefits accrual, including postretirement benefits, has been issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The recommendation was for implementation in fiscal 2000, and we elected to commence this provision in 1999.

Surrey Metro Savings' total allowance for credit losses stood at $5.0 million at December 31, 1999, or 0.26% of total loans, unchanged from the 0.26% in 1998.

Total assets as at December 31, 1999 were $2.3 billion, up 7.2% from $2.2 billion in 1998. Loans increased by 7.0% to $1.9 billion. Deposits grew by 6.2% to $2.1 billion. Non-voting shareholders' equity increased by 7.7% to $84.1 million. (A detailed discussion of Surrey Metro Savings' financial results is included in the Management's Discussion and Analysis section.)

TECHNOLOGY AND OPERATIONS

To complement our branch delivery systems, we continue to add functionality to services such as MetroDirect, our Internet banking service; Touch Tone Teller, our automated telephone banking system; and the call centre. Our members have growing service expectations. Thus alternative delivery systems offer value by providing the convenience and flexibility demanded by our members. These channels will allow Surrey Metro Savings to achieve its objective of product-cost delivery reduction.

Transactional business volume continues to move away from branch operations to more-convenient methods of delivery. Fourteen percent of our annual transactional business is now handled in-branch, the remainder, over 13 million transactions, is processed electronically. Technology allows us to make it easier for our members to do their banking.

Although in-branch transactions are declining, the branch remains the cornerstone of our operations, and is evolving into a consultative sales centre where value-added products and services are delivered to our membership. In this regard, we have rigorously maintained our branches. This year, we completely renovated our Delta branch, which originally opened in 1984.

We are pleased to report that our Year 2000 project was completed on time, within budget, and without any date-related issues. This initiative commenced in the fourth quarter of 1997 and affected every area and department of the organization. It involved not only the mainframe banking system but also providers of external hardware, software, and embedded systems and included services such as automated banking machines, Visa, data exchange suppliers, and security systems.

In September, the Credit Union internally launched an exciting new Vision statement that replaced the previous Mission statement. Created by staff members from all levels of the Company, our new Vision is built on our established reputation as a great service provider and will be externally launched in 2000.

Our previous Visa card did not meet the overall demands of our member base, so we introduced six different cards offered by our new partner, Community Card Services. Members can now choose from three gold cards, a student card, a business card, and a classic card. Also available on most cards is the ability to purchase a low-interest-rate feature. With the new Visa cards, we have become partners with Canada 3000. We are able to offer members bonus points on Canada 3000 flights to over 88 destinations in 22 countries. We will be marketing our new and improved menu of Visa cards in 2000 and expect to greatly enhance this source of revenue.

In the latter part of 1999, four senior managers were promoted to the position of Assistant Vice President. These individuals manage areas critical to maintaining our future success and are responsible for ensuring that any new initiatives focus on our Vision of "earning the highest level of customer satisfaction in the financial services industry."

CONSOLIDATION IN THE INDUSTRY

The external environment continues to change at a fast pace. With industry consolidation and intense competition all around us, there are major implications for all financial institutions. During 1999, Surrey Metro Savings expended considerable time and energy around two potential merger proposals. We were prepared to incur the expenses associated with considering these transactions. We believe that industry consolidations will continue, and that consolidation is in the best interests of our members, employees, and non-voting shareholders.

Consolidation within the BC Credit Union system has been occurring for the past fifteen years. In 1985, there were 133 credit unions in BC – today there are 76. This reduction of 57 credit unions represents small, open- and closed-bond credit unions that chose to amalgamate with neighbouring competitors for the benefit of their membership.

We believe that the number of credit unions in BC will continue to decrease until there are several credit unions, each large enough to enjoy the scale necessary to remain in a competitive position and thereby add value for the members. Only larger institutions will have the ability to exploit the advantages of expensive new technology - technology that is necessary to satisfy the growing demands for greater convenience and flexibility by well-informed and sophisticated members.

In the years ahead, we are confident that there will be opportunities for Surrey Metro Savings to combine with other BC credit unions. Smaller credit unions, faced with competitive pressures, will consolidate with larger credit unions in order to create the economies of scale, technology, products, services, and delivery channels necessary to be competitive in today's market.

Opportunities, we believe, become available to the well managed, well capitalized, and profitable. Companies with consistent earnings will be able to afford the necessary investments required to survive in an industry undergoing rapid consolidation. Surrey Metro Savings is therefore committed to remaining financially strong and corporately vibrant, and will implement the changes necessary in order for the organization to remain a competitive force in a rapidly changing and oversupplied market.

Credit Unions will continue to play an important role in the financial services industry, despite the growing competition from financial institutions that are no longer restricted by national barriers, and have the scale to be intensely price competitive. The credit union industry's future will remain successful as long as competitiveness is maintained, technological advances are continued, and industry consolidation is achieved.

SUPPORTING OUR COMMUNITIES

In 1999, Surrey Metro Savings' Community Involvement Fund donated $175,000 to 35 community-based organizations to support events and projects in the areas of arts and culture, education, sports, health and family services, and the environment. We also provided 31 scholarships for postsecondary education.

We have a long history of supporting the people who live and work in our communities, as demonstrated by our successful relationship with the United Way, and having raised more than $400,000 over the past five years. In 1999, employees and directors pledged $111,464 to the campaign. With the corporate donation of $21,000, Surrey Metro Savings presented a cheque for $132,464 to the United Way – a new company record. We also strengthened our relationship with United Way by joining the Loaned Representative Program, which enabled a Surrey Metro Savings staff member to work closely with United Way staff for a 15-week period to coordinate the employee campaigns of other businesses.

In addition to the initiatives undertaken by the Community Involvement Fund, we also supported various marketing campaigns throughout the year. Employees raised more than $10,000 for BC Children's Hospital in the annual Slo-pitch Challenge and sponsored the Parade of Lights Festival, Money Encounters™ (a program teaching high school students about money), and the Arts Club Theatre's Surrey and Chilliwack Series.

A DEDICATED BOARD OF DIRECTORS

It is our privilege to work with an exceptionally talented and dedicated Board of Directors, who continue to play a vital role in shaping policy and ensuring that we never lose sight of our members, employees, and shareholders.

In 1999, H.A. (Bert) Miles retired from the Board. Under the Credit Union's Rules, a Director may only serve on the Board for nine consecutive years. At last year's Annual General Meeting, Mr. Miles completed nine years of service. Mr. Miles served as Chairman from 1996 to 1999. He was also very active in the Credit Union industry, serving on the Board of Directors of Credit Union Central of BC from 1992 to 1999 and on their Executive Committee from 1996 to 1999.

On behalf of our members, employees, and shareholders, we thank him for his dedication and service.

Elected to the Board last year were John Jansen and Steven Moore and re-elected was Doug Stone. Mr. Stone joined the Board in 1994 and serves as the Chairman of the Governance committee and a member of the Human Resources committee. Elected to the Board's Executive committee were Bruce Chapman, Chairman; Frank Harper, Senior Vice Chairman; and Tom Kirstein, Vice Chairman.

The Board is commended for their support, untiring effort, and good council during an incredibly challenging year.

LOOKING AHEAD

In 2000, Surrey Metro Savings will focus its energy inwardly to execute business initiatives that will keep us at the forefront of change. We will continue to search for operating efficiencies and revenue diversification, complete our wealth manage-

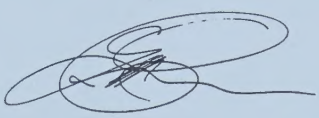
ment strategy, and further leverage the call centre and the Internet. All efforts will be dedicated to achieving our exciting new vision: to earn the highest level of customer satisfaction in the financial services industry.

We end 1999 proud of what we have built: a team of hard-working, dedicated, well-trained staff; a strong balance sheet; a substantial market share; and the intellectual capital required to carry the organization forward. Our highest priority is to increase net income and the predictability of net income. This objective is placed ahead of our desire to increase our asset base. Only with strong and consistent earnings will we be able to afford the technology necessary to compete, be strong enough to consider the consolidation opportunities ahead, create opportunities for our staff, and create value for both members and non-voting shareholders.

No doubt it has been a very demanding year for our staff, who received many comments and inquiries from members, non-members, and shareholders. Our staff's loyalty and commitment to serving all members in a friendly and professional manner is the one constant in our ever-changing environment. We take this opportunity to thank our employees for their hard work and dedication and to also thank our members and shareholders for their support during a very active year.

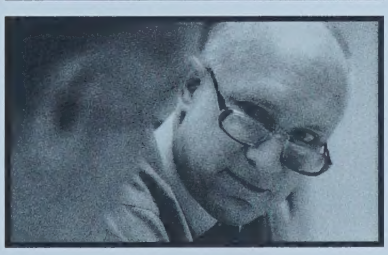


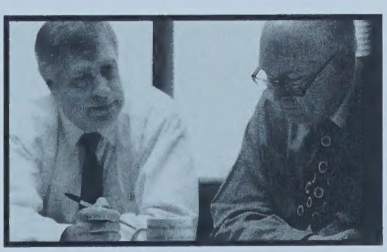
Bruce H. Chapman
Chairman of the Board



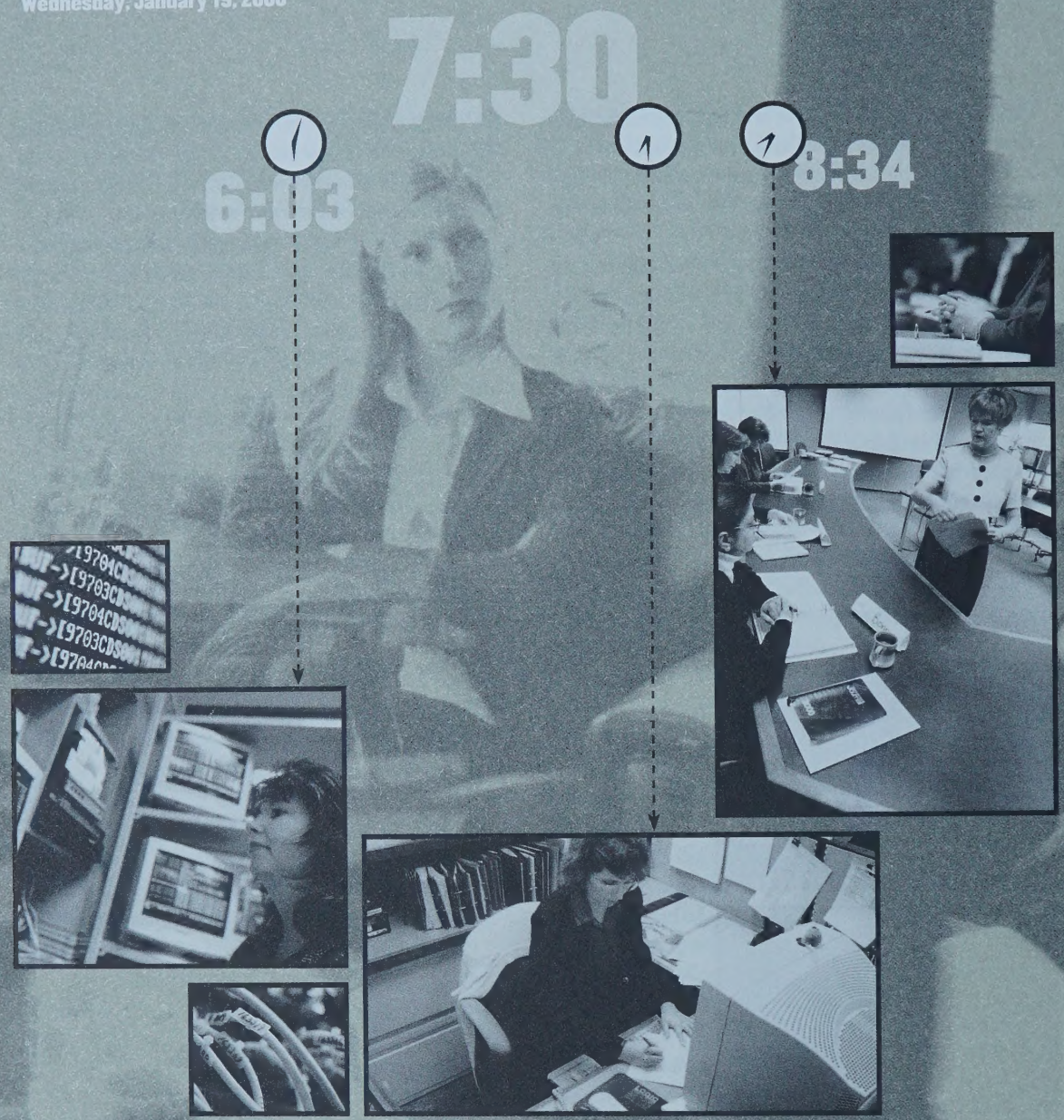
Lloyd M. Craig
President and Chief Executive Officer







Surrey Metro Savings
Wednesday, January 19, 2000

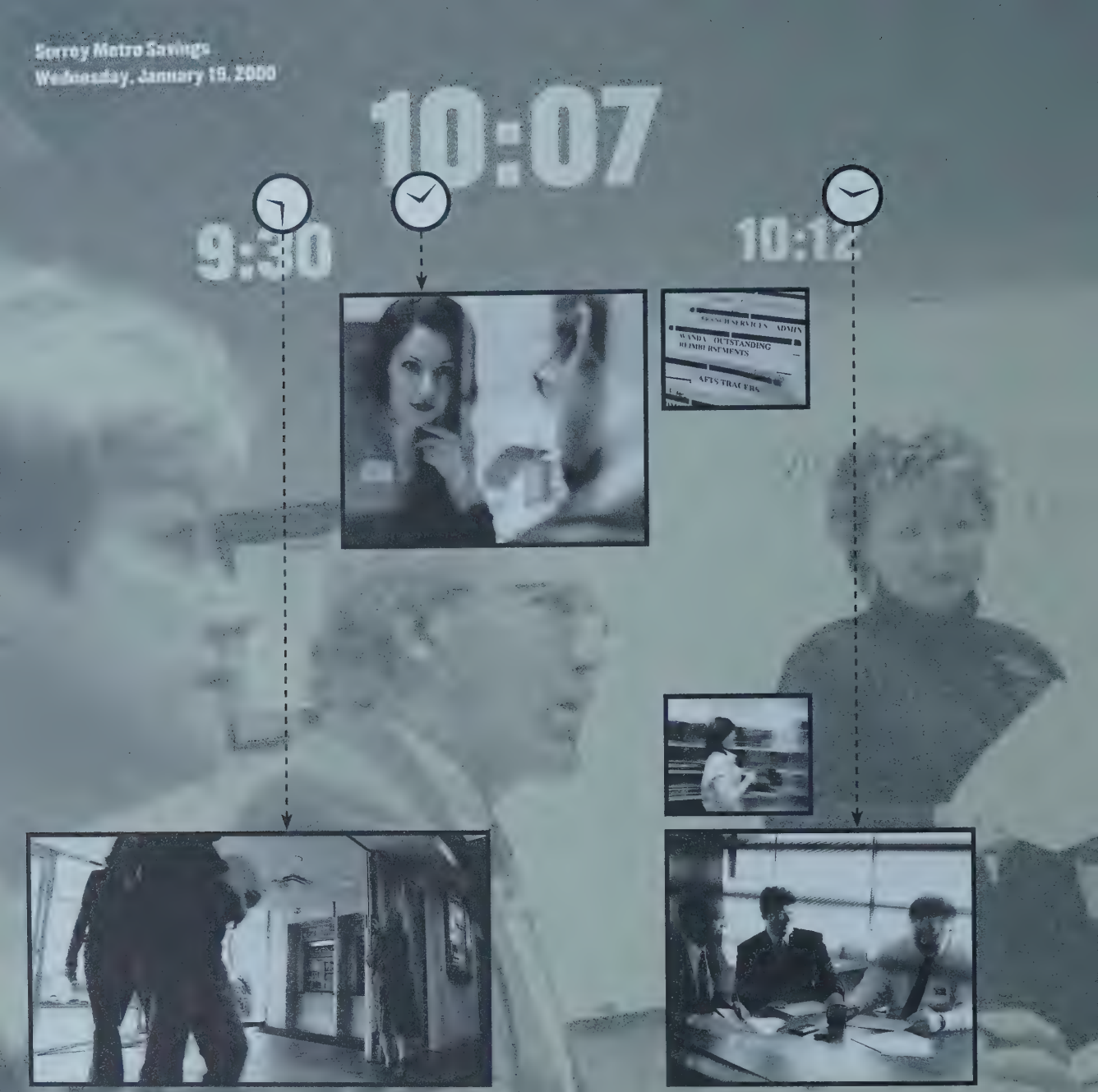


6:03am Our operations department runs 24 hours a day, seven days a week, 365 days a year. Staff is responsible for the operation of our mainframe computer and manages the overnight processing on all our members' accounts. In December 1999, we processed 264,275 ABM transactions and 564,213 point-of-sale (POS) transactions. **7:30am** The accounting group is primarily responsible for handling accounts receivable and payable, preparing financial statements, and processing tax payments. They also manage the accounting for our two subsidiaries, Metro Insurance Services and Shoreline Projects. **8:34am** We hired 127 new employees in 1999, and each one attended a one- or three-day orientation program (depending on his/her assigned position) to learn more about the Credit Union, its corporate philosophy, and the many employee programs available. We offer a Living Well incentive program to encourage a healthy lifestyle, and an Ideas Unlimited program to reward staff for innovative and cost-saving ideas.



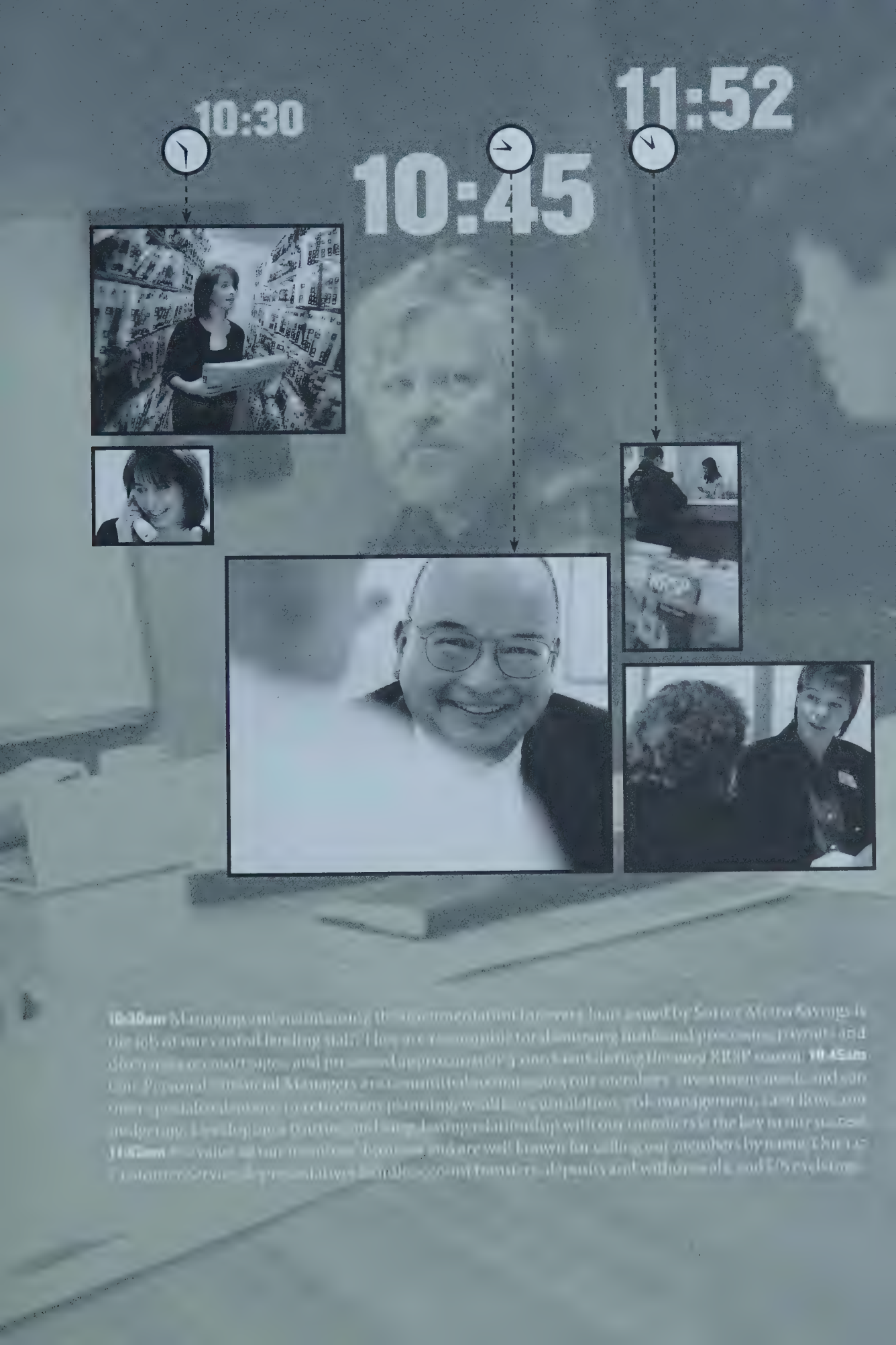
9:47am Each month a group of administrators and branch staff is invited to have coffee with our CEO, David Craig. It's an informal, information-sharing session which encourages staff to ask questions and provide feedback about the Company's initiatives. **9:04am** Before we open our branches to members for business, branch management conducts weekly sales meetings with their staff to talk about new campaigns and review performance results. Members' interactions are shared and discussed to ensure that a high level of service quality is maintained. **9:15am** The Community Involvement Fund Committee meets five times a year to review sponsorship requests. Giving back to the communities is a high priority for Surrey Metro Savings, and is further demonstrated by our commitment to donate a minimum of one percent of our pretax profits to community groups and nonprofit organizations.

Surrey Metro Savings
Wednesday, January 19, 2000



9:30am Our staff's friendly reputation is the result [illegible] forward to welcoming our members. To ensure a high [illegible] both five-day and six-day branch operations, with [illegible] mortgages make up 75% of our total loan portfolio [illegible] ensure that they are selecting the right mortgage [illegible] ings' portfolio of mortgage loans totalled $1.3 bil[illegible] mittee (ALCo), meets weekly to review and monitor asset and liability-related [illegible] interest rate changes when necessary. A full committee comprised of [illegible]

10:07am Residential [illegible] work closely with members to [illegible] and personal terms. In 1999, Surrey Metro Savings' Asset Liability Committee (ALCo), meets weekly to review and monitor asset and liability-related [illegible] and make adjustments to interest rate changes when necessary. A full committee comprised of senior management meets monthly.


10:30
10:45
11:52

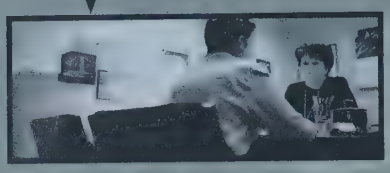
Surrey Metro Savings
Wednesday, January 19, [illegible]

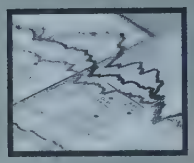
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12:05

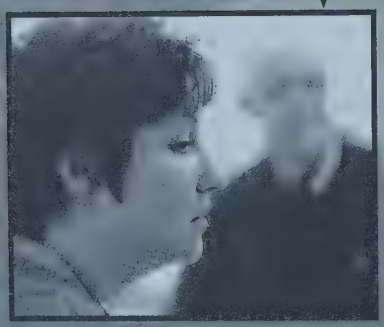
2:38

2:46











12:05pm Surrey Metro Savings offers a full range of insurance products and services through its subsidiary, Metro Insurance Services Ltd. With five offices conveniently located near our retail branches, customers receive the same level of friendly and professional service they have come to expect from our Credit Union.

1:08pm Members rely on our Financial Services Representatives for a number of services, including account openings, RRSP contributions, RRIF sales, term deposit renewals, foreign drafts, RESPs, to name just a few. Each staff member is committed to providing our members with the best service possible.

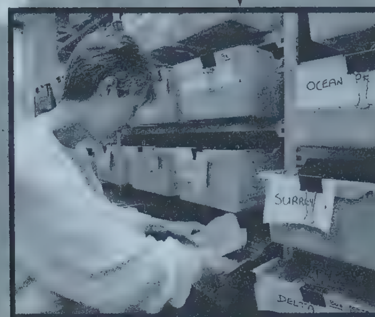
2:38pm Hiring qualified people to complement our team is important. We receive many applications for our Human Resources [illegible] is committed to promoting and developing staff. Last year, [illegible] that were [illegible] positions and promoted 43 staff to more senior positions at all [illegible].

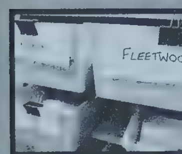
2:46pm Our [illegible] lending is a successful part of our operation. In 1999, we had [illegible] loans approved for a total of $81.6 million. Due to a decreased demand in the construction of residential properties, our lending focused on growing our portfolio through the acquisition of performing commercial mortgage loans.

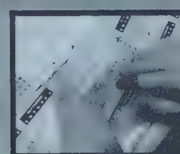
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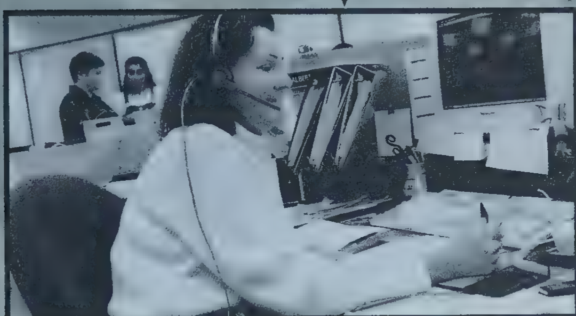
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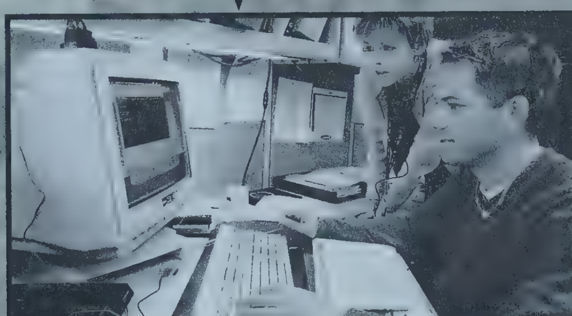
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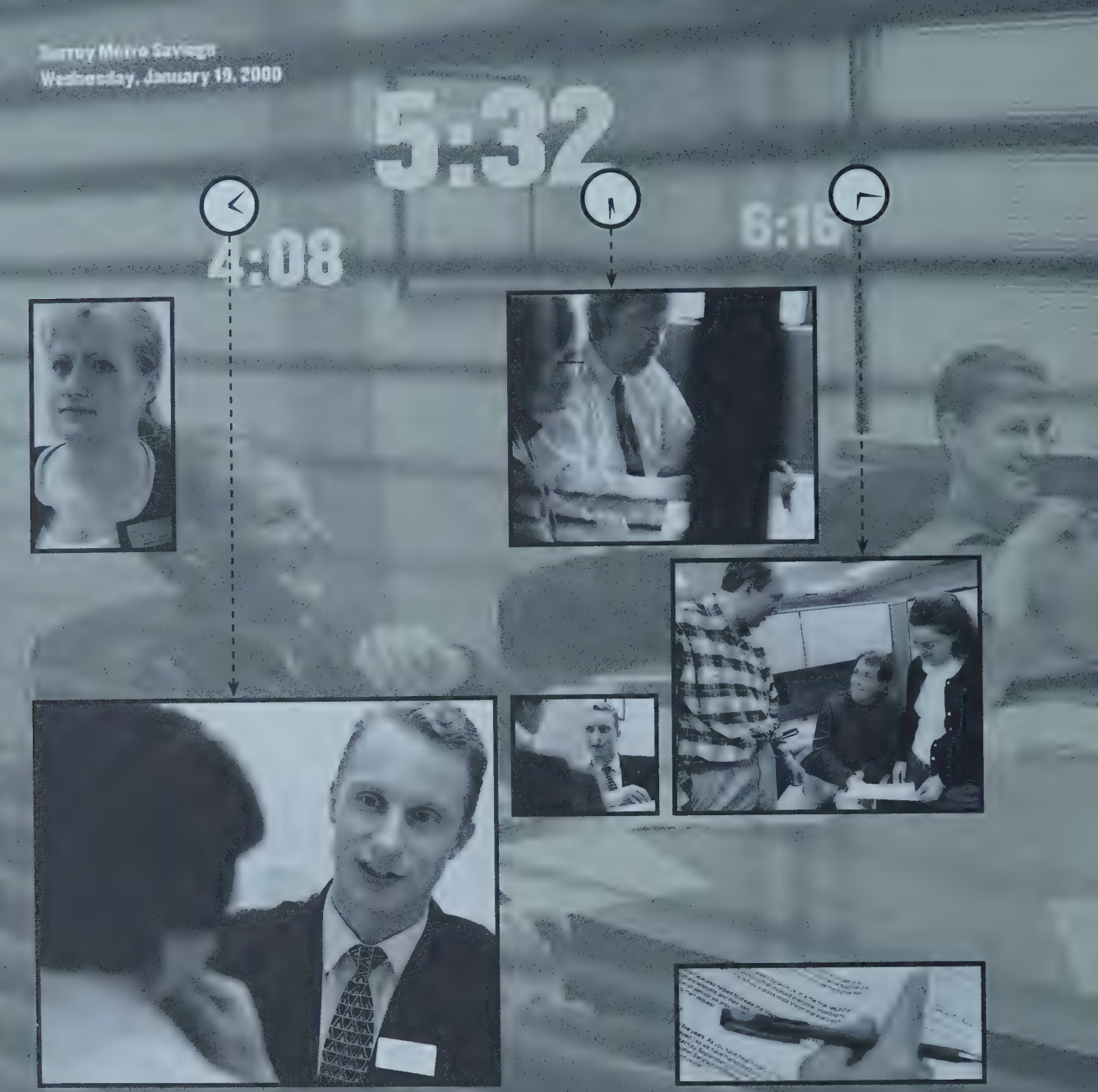








3:11pm [illegible] the staff logged 31,591 [illegible] were referred to other areas [illegible] **3:32pm** [illegible] cheques were processed through our clearing department. Staff [illegible] for the daily reconciliation of all members' cheques and ensuring that accounts are [illegible] correctly.



4:00pm As part of our wealth management program, our financial planners offer members expert advice on a broad range of topics, including tax and estate planning, mutual funds, and retirement planning. It's never too early to develop a financial plan, and with the growing aging population, we expect more members to rely on the knowledge and experience of our professional planners. **5:32pm** Marketing research is conducted throughout the year to determine members' specific product and service needs. The annual customer satisfaction study is mailed to more than 10,000 homes to measure our performance level and focus on ways to improve our service quality. We also conduct telephone surveys and offer members the opportunity to attend member feedback sessions and provide their opinions on a variety of topics. **6:16pm** The information technology team is dedicated to building world-class software applications in order to expand our services to members. Team members design applications using a process that involves input from front-line and management staff. By gaining extensive feedback early in the design process, we ensure that the applications we build will meet our members' demands for alternative delivery systems.



7:00pm Our staff is recognized for their sales and service excellence at the annual Night of E... Ceremony, an event directed and organized by staff. Employees also receive service pins at the ... 20- and 25-year levels. In 1999, 66 staff members were recognized for five years of service. **7:47pm** Since 19..., our call centre has made it easy and convenient for members to conduct many of their transactions through our 517-7000 number. Last year, our team handled more than 370,000 inbound calls, and also placed over 133,000 outbound calls to members to discuss upcoming product promotions. **10:48pm** Surrey Metro Savings has 31 Automated Banking Machines (ABMs) to give members access to their accounts 24 hours a day, seven days a week. We also have three drive-thru ABMs located at our Cloverdale, Strawberry Hill, and Cottonwood branches. **11:31pm** In addition to the personal service offered by our branch staff, we complement our service delivery by offering members electronic access to their accounts. Using services such as Touch Tone Teller or MetroDirect, members can conveniently conduct much of their banking from the comfort of their home or office at any time, day or night. Whether our members rely on our in-branch or electronic services, it is our goal to earn the highest level of customer satisfaction in the financial services industry.

	OBJECTIVES	PERFORMANCE
Deposit growth	Increase deposits by $132 million	**$125 million**
Loan growth	Increase total loan portfolio by $140 million	**$126 million**
Capital	Attain BIS capital level of 10.0% of risk-weighted assets	**10.1%**
Profitability	Achieve $11.0 million net income after tax	**$8.2 million**
Return on average assets	Achieve an after-tax return of 0.51% on average assets	**0.37%**
Return on average non-voting equity	Achieve return on average non-voting equity of 13.40%	**10.08%**
Non-interest expenses	Total non-interest expenses (including subsidiaries) to be no greater than 2.32% of average assets	**2.44%**
Earnings per non-voting share (basic)	Achieve earnings per non-voting share of $2.03	**$1.50**

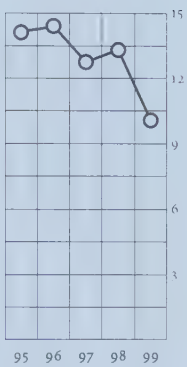
17 / Management's Discussion and Analysis of Financial Condition and Results of Operations
27 / Management's Responsibility
27 / Auditors' Report
28 / Consolidated Balance Sheets
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30 / Consolidated Statements of Retained Earnings
30 / Consolidated Statements of Cash Flows
31 / Notes to the Consolidated Financial Statements
37 / Selected Quarterly Consolidated Financial Data
38 / Ten-Year Overview

This section of the Annual Report contains details of the operations and financial condition of Surrey Metro Savings (SMS). It also provides a discussion of how SMS manages credit, liquidity, and interest rate risks, as well as information on its capital structure.

INTRODUCTION

SMS successfully competes with banks, trust companies, credit unions, and other financial institutions in its market area by providing a high level of member service and product quality. Its primary business focus is on attracting retail deposits from members in the Fraser Valley region of British Columbia and using this deposit base to fund a loan portfolio primarily comprised of residential, first-mortgage loans.

SMS is a well-established financial institution with a 52-year history of serving the Fraser Valley region, historically one of the fastest growing areas in Canada. The population growth in the Fraser Valley and SMS's ability to compete successfully with other financial institutions have enabled SMS to achieve asset growth without deviating from its conservative strategy of funding residential first-mortgage loans primarily with retail deposits.



Return on Average Non-Voting Equity
in percent

ROAE decreased as a result of intense competition for loans and deposits, and merger proposal expenses.

OVERVIEW OF 1999

Net income for 1999 was $8.2 million, down 19.2% from $10.1 million achieved in 1998. Earnings per share for 1999 were $1.50, compared with $1.81 in 1998. Activities related to the merger offer received from Canada Trust and merger discussions with Richmond Savings Credit Union reduced SMS's after tax income in 1999 by $1.5 million or $0.27 per share. Return on average assets was 0.37% or 0.44% before merger expenses, compared to 0.50% in 1998. Return on non-voting share equity was 10.08 % or 11.89% before merger expenses, compared with 13.31% for 1998.

The number of preferred shares (with a $1 par value as required by statute for membership) was 8,857,360 as at December 31, 1999. As prescribed by the Canadian Institute of Chartered Accountants, these preferred shares are classified as liabilities. However, these shares are a part of SMS's capital calculations, as permitted by the Superintendent of Financial Institutions of British Columbia. The number of non-voting shares (basic) outstanding as at December 31, 1999 was 5,454,659, up from 5,451,472 as at December 31,1998.

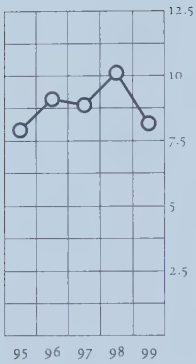
Assets grew in 1999 by 7.2% , compared with 11.9% for 1998. The decreased rate of asset growth was primarily attributable to higher term mortgage interest rates and a somewhat subdued local economy. Total assets at year-end were $2.3 billion, up from $2.2 billion in 1998. Total loans were $1.9 billion, up 7.0% from $1.8 billion in 1998. Total deposits were $2.1 billion, an increase of 6.2% from $2.0 billion in 1998. Net interest income was $49.4 million, down marginally from $49.5 million in 1998.

Other income was $16.6 million versus $16.3 million for the previous year. Non-interest expenses, including merger expenses of $2.0 million, increased to $53.3 million in 1999, compared with $50.2 million in 1998.

NET INTEREST INCOME

Interest income is the major source of revenue for SMS. In 1999, SMS earned interest income of $143.6 million from borrowers on their loans and from cash resources and investments. This represents an increase of $6.8 million over 1998. Interest expense, which represents amounts paid by SMS on member deposits and corporate borrowings, totalled $94.2 million, an increase of $6.9 million over 1998. Both increases reflect the general growth of SMS's loan and deposit portfolios over 1998.

Net interest income represents the difference between interest income and interest expense. Net interest income for 1999 was $49.4 million, compared with $49.5 million for 1998. Net interest income, as a percentage of average assets was 2.27% for 1999, compared with 2.46% for 1998. The decline in financial margins reflects the intense competition for retail deposits and residential mortgages.



Net Income
in millions of dollars

Lower financial margins and merger proposal expenses resulted in decreased earnings.

ANALYSIS OF NET INTEREST INCOME

	1999				1998			
in thousands of dollars	Average balances[1]	Mix (%)	Interest	Interest rate (%)	Average balances[1]	Mix (%)	Interest	Interest rate (%)
Cash resources	277,657	13	11,442	4.12	237,709	12	9,477	3.99
LOANS								
Residential	1,400,446	64	94,957	6.78	1,311,726	65	92,114	7.02
Commercial	282,404	13	20,939	7.41	243,042	12	18,520	7.62
Personal	68,355	3	6,159	9.01	69,628	4	6,384	9.17
Lines of credit	121,144	6	10,120	8.35	118,978	6	10,312	8.67
Total loans	1,872,349	86	132,175	7.06	1,743,374	87	127,330	7.30
Other	28,155	1	—	—	29,627	1	—	—
Total	2,178,161	100	143,617	6.59	2,010,710	100	136,807	6.80
DEPOSITS								
Demand	288,946	13	3,609	1.25	280,442	14	4,490	1.60
Term	1,097,164	50	53,909	4.91	946,556	47	46,019	4.86
RRSP	541,097	25	26,723	4.94	516,547	26	25,730	4.98
Total deposits	1,927,207	88	84,241	4.37	1,743,545	87	76,239	4.37
Borrowings	116,462	5	9,062	7.78	140,200	7	10,198	7.27
Subordinated notes	10,000	1	907	8.98	10,000	—	907	8.98
Other	43,709	2	—	—	41,031	2	—	—
Non-voting share equity	80,783	4	—	—	75,934	4	—	—
Total	2,178,161	100	94,210	4.32	2,010,710	100	87,344	4.34
Net interest income			49,407	2.27			49,463	2.46

[1] *Calculated on a monthly basis.*

OTHER INCOME

Other income is all income that is not interest related. This includes items such as service charges for retail banking services, lending fees, insurance commissions generated by SMS's insurance company, rental income from SMS-owned properties, creditor insurance commissions, foreign exchange income, Visa fees, and mutual fund commissions. SMS practices a "user pay" policy as much as possible, especially in relation to its deposit accounts and financial services, and reviews its lending fees and service charges annually to ensure adequate returns are met while maintaining market competitiveness. During 1999, SMS made only minor changes to its service charges. Other income grew by 1.7% during 1999 to $16.6 million, compared to $16.3 million in 1998.

NON-INTEREST EXPENSES

Non-interest expenses represent all costs that are not interest related, excluding provisions for credit losses and income taxes. It includes staff salaries and benefits, occupancy, data processing, marketing, deposit insurance assessments, Credit Union Central of British Columbia (CUCBC) dues, and provincial capital taxes, among other items. Total non-interest expenses, including merger expenses of $2.0 million for 1999 were $53.3 million, a $3.1 million or 6.1% increase over 1998. Non-interest expenses represented 2.44% of average assets or 2.35% before merger expenses, compared with 2.50% of average assets in 1998.

Staffing costs, including incentives, grew by $1.1 million or 4.4%. The incentive program is reviewed by the Board of Directors on a regular basis and can be revised to reflect prevailing economic conditions.

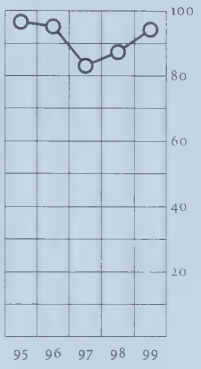
Occupancy costs remained unchanged over 1998. General expenses increased by $1.9 million. This increase is primarily attributable to merger proposal costs.

CAPITAL EXPENDITURES/PREMISES AND EQUIPMENT

In 1999, SMS experienced capital expenditures as a result of capital replacements and enhancements. The increase in computer equipment and software costs was due to the introduction of voice recording capability at the call centre, the installation of a fully automated call distribution and blending integration platform at the call centre, installation of software to improve the efficiency of administering electronic transactions at the corporate level, and software upgrades to improve member service in the branches.

Years ended December 31 *in thousands of dollars*	**1999**	1998
Building renovations and improvements	**86**	387
Leasehold improvements	**473**	461
Computer equipment/software	**3,327**	1,356
Furniture and equipment	**580**	986
Total	**4,466**	3,190

(Does not include asset disposals.)



INTEREST EXPENSE
in millions of dollars

Increased interest costs reflect the growth in deposits.

RISK MANAGEMENT

Risk management is an ongoing and continuous process, with the goal of achieving consistent optimal earnings over the long term. All of SMS's investment and loan policies, including risk management, are reviewed annually by the Board of Directors, and the Superintendent of Financial Institutions of British Columbia reviews any changes to previously approved policies for prudence. The Board of Directors also reviews monthly reports on liquidity, interest rate risk, credit loss provisions, delinquent and impaired loans, regulatory capital, and financial performance. There are three principal areas of risk which SMS monitors and manages: interest rate risk, credit risk, and liquidity/investment risk.

INTEREST RATE RISK/MATCHING ASSETS AND LIABILITIES

Interest rate risk represents the effect that changes in interest rates can have on SMS's financial position. Interest rate risk arises when there is a difference in the amount of assets and liabilities that mature within a similar period.

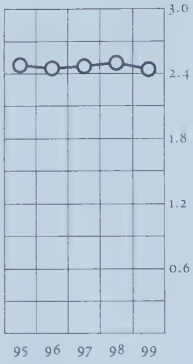
While the high proportion of residential first mortgages provides a stable asset base, like any other financial institution, SMS's annual profitability depends to a considerable extent on its ability to manage the maturities and yields of its assets against the maturities and costs of its liabilities.

SMS closely manages its interest rate risk through various strategies designed to optimize the return to SMS of differences between deposit and loan rates for different maturities. An asset and liability management committee (ALCo) comprised of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, vice presidents, and other senior managers, meets monthly to review and monitor asset- and liability-related activities and initiate policy changes where necessary. A subcommittee of the group meets weekly.

The differentials shown in the table on the next page for different maturities can change from one year to the next and to some extent are dependent on the interest rate expectations held by the mortgage, loan, and deposit members of SMS. As previously

noted, this information is monitored by management on a weekly basis to ensure early identification of any trends that are developing, or any differentials that are becoming materially large. Through computer modelling techniques, SMS determines its interest rate risk on a monthly basis. The modelling determines the effect that rising or falling interest rates would have on pretax income and market value over the next 12 months. If the interest rate risk is approaching a level above policy guidelines, the largest differentials are reduced through either conventional means, such as deposit drives and the sale of mortgages, or through so-called synthetic means by employing derivative instruments such as interest rate swaps.

The following table shows the matching of maturities of the assets and liabilities of SMS at December 31, 1999, as well as those at December 31, 1998.



Non-Interest Expenses to Average Asset Ratio
expressed as a percentage

Non-Interest expenses as a percentage of average assets decreased from 2.50% to 2.44%.

ASSET AND LIABILITY MATURITIES

As at December 31	1999			1998		
in thousands of dollars	**Assets**	**Liabilities**	**Differential**	Assets	Liabilities	Differential
INTEREST SENSITIVE						
Maturing within 1 year	**1,048,090**	**1,543,668**[1]	**495,578**	889,484	1,384,696[1]	495,212
MATURING BETWEEN						
1-2 years	**219,488**	**262,760**[2]	**43,272**	371,582	195,444[2]	(176,138)
2-3 years	**326,379**	**171,808**[2]	**(154,571)**	235,364	197,793[2]	(37,571)
3-4 years	**302,507**	**56,748**	**(245,759)**	282,498	137,378	(145,120)
4-5 years	**322,073**	**139,104**	**(182,969)**	303,392	109,201	(194,191)
6-10 years	**31,162**	**10,000**	**(21,162)**	29,279	10,000	(19,279)
Non-interest bearing items[3]	**63,406**	**129,017**	**65,611**	47,111	124,198	77,087
	2,313,105	**2,313,105**	**—**	2,158,710	2,158,710	—

[1] *Includes the effect of $40,000,000 in interest rate swaps.*

[2] *Includes the effect of $20,000,000 in interest rate swaps.*

[3] *Assets include cash, accrued interest receivable, premises and equipment, and other items. Liabilities include accrued interest payable and other items.*

Rapidly rising interest rates can negatively impact SMS's net interest income, as a large portion of SMS's liabilities will reprice before many of its assets can do the same. Most financial institutions tend to deem a prudent level of asset/liability mismatching to be necessary in order to improve profitability. The challenge is to find the level of mismatch that will optimize net interest income without unduly increasing risk in the event of rapid changes in interest rates.

CREDIT RISK

SMS's system for controlling the risk of borrowers defaulting on loan obligations is based upon strict adherence to clearly defined credit policies and credit approval procedures. Authority for loan approval to specified limits is granted to officers within each branch by the Chief Executive Officer, with the guidelines reviewed annually by the Board of Directors. Loan approval limits are established based upon the experience and qualifications of the individuals involved. If a proposed loan is beyond the lending limit prescribed for branch management, it is forwarded to the Manager, Retail Credit, or the Vice President, Credit, depending on the size of the loan. If a loan is beyond the internal lending limit prescribed for the Vice President, Credit, it is submitted to the loans committee

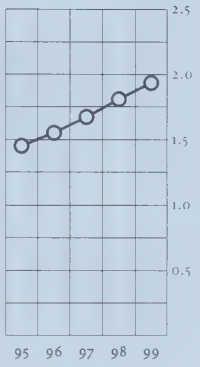
(comprised of senior lending managers) and either approved at this level, or further recommended for approval to the management credit committee (comprised of the Chief Executive Officer and other executive officers).

New lending in each branch is reviewed annually by a credit inspector to ensure adherence to policy guidelines and general credit quality. Loans requiring collection are removed from the branch level and centralized for further follow-up in the Retail Credit department.

LIQUIDITY/INVESTMENT RISK

As required by the Financial Institutions Act of British Columbia (FIA), 10% of SMS's total deposits and borrowings are held at CUCBC in a liquidity portfolio comprised of deposits with maturities ranging from overnight to one year. The CUCBC deposits provide yields similar to those of Government of Canada Treasury Bills. In addition to the liquidity portfolio held at CUCBC, SMS maintains excess liquidity. SMS's goal is to maintain a total liquidity portfolio of 10.5% to 12.5% of total deposits and borrowings. It is management's view that a total liquidity portfolio between 0.5% and 2.5% in excess of that required by the FIA provides a prudent margin of liquidity over the 10% statutory requirement, without unduly impairing SMS's return on assets.

SMS's investment policy specifies the minimum rating, maximum term, and certain single investment exposures for investments made with excess liquidity. In general, excess liquidity is invested in money market instruments that are rated R-1 low or higher and mature in less than one year. At December 31, 1999, SMS's liquidity was 14.9% of total deposits and borrowings, as compared to 15.1% in 1998.



TOTAL LOANS
in billions of dollars

Loan growth was 7% in 1999.

LOANS

Total loans as at December 31, 1999 were $1.9 billion, compared with $1.8 billion at the previous year-end, an increase of 7.0%.

SMS aggressively competes for, and is a major holder of, residential first mortgages in the Fraser Valley region. It grants mortgages to individuals according to conventional mortgage-lending standards for residential properties. SMS offers closed, fixed-rate mortgages and open, variable-rate and fixed-rate mortgages, written with terms of 6 months to 10 years.

At December 31, 1999, SMS's portfolio of residential mortgage loans totalled $1.5 billion, representing 75.2% of total loans outstanding, compared with total residential mortgage loans of $1.4 billion, which represented 75.2% of the total loans at December 31, 1998. Net growth of mortgage loans over 1998 was 6.9%.

Slight increases in mortgage rates throughout the year resulted in the real estate market in the Fraser Valley region continuing to remain relatively flat in 1999. Compared with other areas of British Columbia's Lower Mainland, such as Vancouver, Richmond, Burnaby, and the North Shore, the Fraser Valley continues to offer lower housing prices. The Greater Vancouver Regional District expects the Fraser Valley region to record one of the highest rates of population growth in the Lower Mainland. The availability of undeveloped land has kept average housing costs significantly lower than in other parts of the Lower Mainland, which results in average mortgages being substantially lower. Lower average mortgage advances may reduce the risk to SMS of individual defaults.

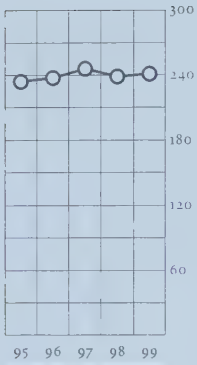
Personal loans to members include instalment loans, demand loans, and lines of credit. SMS also offers a menu of Visa credit cards through arrangements with Community Card Services and Canada 3000. Under the arrangement, SMS does not carry the receivables owing from its credit card holders but earns a fee based on the total net purchases generated by its credit card holders, as well as a per card fee.

At December 31, 1999, SMS had a personal loan portfolio of $176 million representing 9.1% of total loans outstanding, compared with $177 million representing 9.8% of total loans at December 31, 1998.

Commercial lending consists primarily of first-mortgage loans to small- and medium-sized businesses for real estate projects in the Lower Mainland region. The types of mortgages offered are similar to residential mortgages, except the maximum term is limited to five years. Although SMS also conducts other forms of commercial lending, these constitute a small portion of the commercial loan portfolio.

At December 31, 1999, SMS's commercial loan portfolio totalled $303 million, representing 15.7% of total loans outstanding, compared with $270 million, representing 15.0% at December 31, 1998. Net growth of commercial loans was 12.2%.

SMS maintains conservative lending policies and holds no foreign loans. SMS's policy limits commercial lending to a maximum of 20% of its total assets and the maximum loan exposure to any one borrower, to an amount which is the lesser of $9.0 million or 10% of SMS's aggregate share capital, retained earnings, and subordinated notes. SMS has no loans outstanding, which exceed its internal limit. This limit is included in SMS's internal investment and lending policy, which is reviewed annually by the Superintendent of Financial Institutions of British Columbia.



Average Annual Detached Residential Prices
in thousands of dollars

Source: Fraser Valley Real Estate Board.

LOAN PORTFOLIO

As at December 31, 1999	Number	Total in[1] millions of dollars	in percent	Average in thousands of dollars
INDIVIDUALS				
Mortgages				
Conventional	8,466	979	50.8	116
Revenue	598	69	3.6	115
Progressive	114	24	1.3	211
Insured	1,831	259	13.4	141
SMS high-ratio	767	118	6.1	154
Subtotal mortgages	11,776	1,449	75.2	123
Other				
PLC[2] (mortgage secured)	1,209	58	3.0	48
PLC[2] (other)	18,572	56	2.9	3
Personal loans	9,384	62	3.2	7
Subtotal other	29,165	176	9.1	6
Subtotal individuals	40,941	1,625	84.3	40
COMMERCIAL	947	303	15.7	320
	—	1,928	100.0	—
Accrued interest	—	6	—	—
Total loan portfolio	41,888	1,934	—	46

[1] *Before allowance for credit losses.*

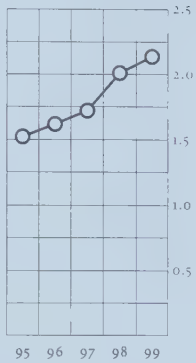
[2] *Personal Line of Credit.*

ALLOWANCE FOR CREDIT LOSSES

SMS has an established policy of providing an allowance to cover potential credit losses. It is reviewed on an ongoing basis and if potential credit losses are identified, a specific allowance is established. In 1999, SMS decreased the provision for credit losses by $0.3 million for a total of $2.0 million, as compared to $2.3 million in 1998. SMS's total allowance for credit losses increased to $5.0 million or 0.26% of total loans. As at December 31, 1998, the total allowance for credit losses was $4.6 million, representing 0.26% of total loans. These allowances are after loan write-offs of $1.61 million in 1999, compared to $0.85 million in 1998. The increase in write-offs is attributed in part to the prevailing soft economic conditions.

ASSET QUALITY COVERAGE

As at December 31 *in thousands of dollars*	**1999**	1998	1997	1996	1995
Total loans	**1,928,833**	1,803,044	1,668,350	1,548,486	1,444,649
Provision for credit losses (PCL)	**2,000**	2,331	1,190	1,162	600
Loan write-offs	**1,618**	852	1,040	678	421
Total allowance	**5,013**	4,631	3,152	3,003	2,519
Impaired loans	**3,197**	4,124	3,845	5,003	4,090
Non-voting share equity (NVSE)	**84,146**	78,123	73,147	66,537	59,628
in percent					
PCL as % of total loans	**0.10**	0.13	0.07	0.08	0.04
Loan write-offs as % of total loans	**0.08**	0.05	0.06	0.04	0.03
Impaired as % of total loans	**0.17**	0.23	0.23	0.32	0.28
Impaired as % of NVSE	**3.80**	5.28	5.26	7.52	6.86
Total allowance as % of impaired loans	**156.80**	112.29	81.98	60.02	61.60
Total allowance as % of total loans	**0.26**	0.26	0.19	0.19	0.17



TOTAL DEPOSITS
in billions of dollars

Deposits grew by 6.2% in 1999 compared to 16.6% in 1998.

DEPOSITS

Total deposits as at December 31, 1999 were $2.1 billion, compared with $2.0 billion for the previous year, an increase of 6.2%. Agency and institutional deposits accounted for $480 million or 22.4% of total deposits in 1999, as compared to $474 million or 23.6% in 1998. Retail deposit growth remained challenging throughout the year due to competition from other financial institutions and mutual funds.

SMS offers a full range of personal deposit services and products, including chequing accounts, savings accounts, and term deposits. All deposit accounts are in Canadian funds, with the exception of United States dollar chequing and short-term deposit accounts. SMS also provides special benefit packages on some of its accounts for individuals aged 59 and over or 18 and under. SMS is also active in the registered retirement savings plan (RRSP) market, offering term and variable RRSPs and registered retirement income funds (RRIFs).

At December 31, 1999, total demand deposits, including preferred shares, represented 12.7% of total deposits, compared with 13.9% in the previous year. Term deposits represented 61.0%, compared with 59.4% in 1998, and term registered savings plans represented 26.3%, compared with 26.7% in 1998.

SMS is an aggressive competitor for deposits in its market. The interest rate environment in 1999 resulted in only modest RRSP deposit growth as investors continued to opt for mutual funds. SMS continues to develop innovative and competitive marketing strategies for this major deposit drive. In 1999, the registered savings plans portfolio increased by $22.2 million, compared with a $12.2 million increase in 1998.

Term deposits are the most suitable for matching SMS's mortgage lending. SMS continued to be successful throughout 1999 in developing a term portfolio (including registered plans) which represented 87.3% of the total deposit base as at December 31, 1999, compared with 86.1% in 1998.

Although deposit interest rates were generally higher in 1999 than in 1998, they were still low historically. They were also low when compared to the gains being achieved from mutual funds, stocks, and other equities. As such, deposit growth continued to be a challenge. SMS introduced various flexible deposit products throughout the year, designed to appeal to both retail members and institutional clients.

SMS also actively markets the family of ethical mutual funds, a group of eight mutual funds owned and managed by the Canadian credit union system. These funds provide SMS members with another investment option and provide SMS with an alternative source of fee income. SMS also sells a variety of third-party mutual funds, and receives the standard commissions for these sales. As at December 31, 1999, SMS had mutual funds under administration for its members totalling $170.6 million, as compared to $143.8 million as at December 31, 1998.

BORROWINGS

In June 1994, SMS entered into an arrangement with several financial institutions for a $70 million syndicated loan. This facility has been increased several times and now stands at $115 million. As well, SMS established an additional facility with another financial institution in 1998 for $65 million. Both loan facilities are subject to standby fees and may be drawn down at any time. In addition to these facilities, SMS maintains a substantial loan facility with CUCBC. Outstanding amounts under all three facilities fluctuated in the normal course of business during the past year. As at year-end, total outstanding amounts were $75 million, up from $50 million in 1998.

CAPITAL

SMS's capital requirements are regulated by the Financial Institutions Commission (FICOM) using the risk-weighted approach developed by the Bank for International Settlements (BIS) in 1988. FICOM established a minimum capital standard based on a ratio of capital-to-risk-weighted assets of 8%. At least 50% of a credit union's capital base, for the purpose of meeting the standard, must consist of primary capital, known as Tier 1, comprised of non-voting shares, contributed surplus, preferred shares, and retained earnings, less intangible assets, and deferred income taxes. Secondary capital, known as Tier 2, includes subordinated notes and 50% of a credit union's portion of retained earnings in the Credit Union Deposit Insurance Corporation (CUDIC), CUCBC, and Stabilization Central Credit Union (Stab Central). A credit union's assets are weighted according to six categories of relative risk ranging from 0% to 150%. Residential mortgages, which form the majority of the assets of SMS, are risk-weighted at 50%.

As at December 31, 1999, SMS had a total capital ratio of 10.1%, up from the 9.8% held in 1998.

The following tables show the levels of SMS's capital and its risk-weighted assets under the BIS requirements:

TIER 1 AND 2 CAPITAL

As at December 31 *in thousands of dollars*	1999	1998
TIER 1 CAPITAL		*(restated)*
Non-voting shares	**27**	27
Contributed surplus	**292**	248
Preferred shares	**8,857**	8,271
Retained earnings	**83,827**	77,848
	93,003	86,394
Less: Intangible assets	**(1,429)**	(1,286)
Deferred taxes	**(1,784)**	(2,139)
	89,790	82,969
TIER 2 CAPITAL		
Subordinated notes	**10,000**	10,000
Portion of equity in CUCBC, CUDIC, and Stab Central[1]	**12,912**	10,608
	22,912	20,608
Total capital	**112,702**	103,577

[1] *Represents 50% of the total amount of SMS's portion.*

RISK-WEIGHTED ASSETS

	1999	1998		1999	1998
As at December 31 *in thousands of dollars*	***Balance sheet amount***	*Balance sheet amount*	*BIS risk weight (%)*	***Risk-weighted balance***	*Risk-weighted balance*
Cash resources	**333,955**	253,436	—	—	—
Commercial paper	**11,455**	64,291	0-100	**5,728**	22,537
Residential mortgages	**1,131,809**	1,089,075	50	**565,904**	544,538
Insured mortgages	**258,571**	227,407	—	—	—
High-ratio mortgages	**118,288**	98,297	100	**118,288**	98,297
Personal loans	**117,862**	121,151	0-80	**84,678**	85,987
Commercial loans	**302,303**	267,114	100	**302,303**	267,114
Revenue property	**4,720**	4,890	150	**7,080**	7,335
Other assets/investments	**34,142**	33,049	100	**34,142**	33,049
	2,313,105	2,158,710		**1,118,123**	1,058,857

in percent	1999	1998
Ratio of capital-to-risk-weighted assets		*(restated)*
Tier 1 capital-to-risk-weighted assets	**8.0**	7.8
Tier 2 capital-to-risk-weighted assets	**2.1**	2.0
Total capital-to-risk-weighted assets	**10.1**	9.8

YEAR 2000 PROJECT

The Year 2000 project came to a successful conclusion, without any date-related problems being experienced by SMS, its members, and business partners. All core systems were tested extensively prior to the date change and immediately following, with all systems confirmed to be operational. SMS was open for business as usual on January 4, 2000.

OUTLOOK

Loans and Deposits

Loan growth will be a challenge in 2000. A sluggish British Columbia economy, as well as continuing increases in mortgage rates, will likely dampen renewed activity in the real estate market and consequently may limit SMS's mortgage growth. Management does not expect loan growth to substantially change from 1999.

On the other hand, higher interest rates could make retail deposit growth less challenging than in previous years. Members and investors have not seen yields at present levels on fixed-rate investments since 1995, and might view these secure investments as an attractive alternative to mutual funds and equities.

Liquidity

SMS is targeting liquidity to remain in the range of 10.5% to 12.5% of total deposits and borrowings. In management's opinion, this margin above the 10.0% statutory minimum, together with the ability to access its increased loan facilities and to sell mortgages, will provide adequate liquidity for normal operations.

Income

Based on the current level of interest rates, SMS is anticipating an improvement in net interest income. However, if interest rates rise significantly, net interest income in 2000 will likely be reduced from the previous year.

Provisions for credit losses in 2000 are not expected to change significantly from 1999.

Current income tax legislation provides that British Columbia corporations are taxed at rates as high as 45.6%. Credit unions can reduce normal corporate income tax rates through a special income tax rate reduction that is based upon the relationship between the level of deposits and accumulated pretax earnings that were previously taxed at the reduced rates. Due to the projected deposit growth expected in 2000, SMS may not receive this tax rate reduction on portions of its 2000 taxable income, and accordingly, is increasing its provision for income taxes from 25% to 40% for fiscal 2000. In the event that deposit growth returns to historic levels, SMS will be able to reduce its income tax rate from the projected rate of 40%.

The anticipated interest rate environment, SMS's continued commitment to cost containment, and the projected deposit growth, should provide for an increase in net income in 2000.

SUBSEQUENT EVENT

On February 24, 2000, SMS announced that it had received Toronto Stock Exchange approval to a Notice of Intention to commence a Normal Course Issuer Bid through the facilities of the TSE, permitting SMS to repurchase, for cancellation, up to 272,732 non-voting shares, representing 5.0% of its 5,454,659 outstanding non-voting shares. The bid commenced on February 28, 2000 and will run until the date on which purchases under the bid have been completed or February 27, 2001, whichever is earlier.

Management's Responsibility

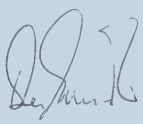
The consolidated financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with the requirements of the Credit Union Incorporation Act and appropriate generally accepted accounting principles in Canada, and include amounts based on informed judgements and estimates of the expected effects of current events and transactions. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

In meeting its responsibility for the reliability of financial data, management relies on comprehensive internal accounting, operating and system controls. Controls include an organizational structure providing for effective segregation of responsibilities, delegation of authority and personal accountability, and careful selection and training of personnel; the application of accounting and administrative policies and procedures necessary to ensure adequate internal control over transactions, assets and records, as well as a continued program of extensive internal audits. These controls are designed to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets, and that assets are safeguarded against unauthorized use or disposition. The Board of Directors has appointed an Audit Committee, comprised of three Directors, to review with management and auditors the annual financial statements prior to submission to the Board of Directors for final approval.

Grant Thornton LLP has been appointed by the membership as independent auditors to examine and report on the consolidated financial statements and their report appears below. They have had full and free access to the internal audit staff and the Audit Committee of the Board.



Lloyd M. Craig
President and Chief Executive Officer



Hermann G. Bessert
Chief Financial Officer

Auditors' Report

To the Members and Shareholders of Surrey Metro Savings Credit Union

We have audited the consolidated balance sheets of Surrey Metro Savings Credit Union as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 1999 and 1998 and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles. As required by the Financial Institutions Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

Grant Thornton LLP

Chartered Accountants
New Westminster, Canada

February 9, 2000

December 31 *in thousands of dollars*	*Note*	**1999**	1998
Assets			
Cash resources	*2*	**345,410**	317,727
Loans	*3*	**1,928,833**	1,803,044
Other	*4*	**17,719**	16,977
Premises and equipment	*5*	**21,143**	20,962
		2,313,105	2,158,710
Liabilities			
Deposits	*6*	**2,134,861**	2,009,454
Other	*7*	**9,098**	11,133
Borrowings	*8*	**75,000**	50,000
		2,218,959	2,070,587
Subordinated notes	*9*	**10,000**	10,000
Shareholders' Equity			
Share capital	*10*	**319**	275
Retained earnings	*11*	**83,827**	77,848
		84,146	78,123
		2,313,105	2,158,710
Commitments	*16*		

See accompanying notes to the consolidated financial statements.

On behalf of the Board



Director



Director

in thousands of dollars, except per share amounts

Years ended December 31	*Note*	1999	1998
Interest income	*12*		
Loans		**132,175**	127,330
Cash resources		**10,971**	9,005
Other		**471**	472
		143,617	136,807
Interest expense			
Deposits		**84,241**	76,239
Borrowings		**9,969**	11,105
		94,210	87,344
Net interest income		**49,407**	49,463
Provision for credit losses		**1,810**	2,151
		47,597	47,312
Other income	*13*	**16,572**	16,295
		64,169	63,607
Non-interest expenses			
Salaries and employee benefits		**26,366**	25,259
Occupancy		**6,754**	6,739
General	*14*	**20,132**	18,203
		53,252	50,201
Net income before income taxes		**10,917**	13,406
Provision for income taxes	*15*	**2,756**	3,301
Net income		**8,161**	10,105
Average number of non-voting shares (in thousands)		**5,454**	5,571
Earnings per non-voting share			
Basic		**1.50**	1.81
Fully diluted		**1.41**	1.74

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31 *in thousands of dollars*	1999	1998
Beginning of year	**77,848**	72,871
Net income	**8,161**	10,105
Redemption of non-voting shares	**—**	(2,910)
Dividends on non-voting shares	**(2,182)**	(2,218)
End of year	**83,827**	77,848

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31 *in thousands of dollars*	1999	1998
Cash Resources Provided by (Used In)		
Operating activities		
Net income	**8,161**	10,105
Adjustments to determine cash flows:		
Amortization of premises and equipment	**4,153**	4,971
Amortization of goodwill	**11**	11
Deferred income taxes	**354**	(1,155)
Provision for credit losses	**1,810**	2,151
Changes in accrued interest receivable and payable	**380**	5,196
Changes in other non-cash operating items	**(2,544)**	(3,155)
	12,325	18,124
Financing activities		
Increase in deposits, net	**125,017**	280,761
Increase (decrease) in borrowings, net	**25,000**	(60,000)
Issuance (repurchase) of non-voting shares	**44**	(2,910)
Dividends on non-voting shares	**(2,182)**	(2,218)
	147,879	215,633
Investing activities		
Increase in loans, net	**(127,589)**	(136,506)
Purchase of premises and equipment, net	**(4,334)**	(3,217)
(Increase) decrease in investments and other	**(598)**	409
	(132,521)	(139,314)
Increase in Cash Resources	**27,683**	94,443
Cash Resources, Beginning of Year	**317,727**	223,284
Cash Resources, End of Year	**345,410**	317,727
Supplementary disclosure of cash flow information		
Amount of interest received during the year	**142,841**	134,768
Amount of interest paid during the year	**93,820**	81,808
Amount of income taxes paid during the year	**3,287**	3,833

See accompanying notes to the consolidated financial statements.

GOVERNING LEGISLATION AND OPERATIONS

Surrey Metro Savings Credit Union (SMS) is incorporated under the Credit Union Incorporation Act of British Columbia; the operation of SMS is subject to the Financial Institutions Act of British Columbia. SMS serves members principally in the Fraser Valley region of British Columbia.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting practices generally accepted in Canada. In preparing these consolidated financial statements management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of SMS and its wholly owned subsidiaries, Metro Insurance Services Ltd. and Shoreline Projects Ltd.

Loans

Loans are stated at the unpaid principal plus accrued interest less an allowance established to provide against probable losses on ultimate realization of the loan portfolio.

Loan interest

Interest income from loans is recorded by the accrual method, except for impaired loans classified as non-accrual. Interest income from loans classified as non-accrual is recorded on a cash basis into revenue when there exists no allowance for credit loss against the principal amount. In cases where an allowance for credit loss exists against the principal, and interest is recorded on a cash basis, amounts so received are used to reduce the principal.

Loan fees

Penalty income recorded on prepayment or renegotiation of fixed-term loans is deferred and amortized to income over the average term of such loans.

Sale of loans

SMS, in the normal course of business, sells groups of loans. These sales transfer the significant risks and rewards of ownership and therefore meet accepted criteria for recognition as sales. Consequently, the assets from the sales are removed from the consolidated financial statements.

Gains on such arrangements are recognized in the year of sale and are derived by capitalizing the net present value of the interest spread inherent in the pool. Revenue from service fees earned for administration of loans is recorded in other income.

Allowances for credit losses

SMS maintains specific allowances for credit losses that reduce the book value of loans identified as impaired to their estimated realizable amounts. An impaired loan is classified as non-accrual at the earlier of:

- in the opinion of management, there is reasonable doubt as to the collectibility of principal or interest
- interest is 90 days past due unless there is adequate security
- interest is 180 days past due.

Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans, or by estimating the fair value of security underlying the loans and deducting costs of realization, or by estimating market prices for the loans.

SMS maintains a general allowance to absorb credit losses attributable to any deterioration of loan quality of the portfolio for which specific allowances cannot yet be determined. The general allowance is established based on payment arrears, known risks in the portfolio, historical credit loss experience and current economic conditions and trends.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote.

Investments

Investments are recorded at the lower of estimated net realizable value and cost.

Premises and equipment

Premises and equipment are recorded at cost less amortization which is provided using the straight line method over the estimated useful lives of the assets, as follows:

Buildings	40 to 50 years
Leasehold improvements	10 years
Computer and telephone equipment	3 years
Furniture and other equipment	5 to 10 years

Dividends

Dividends on preferred shares classified as deposit liabilities are charged to income for the year in respect of which they are calculated and are included in interest expense.

Dividends on non-voting shares classified as equity are charged to retained earnings in the year that they are declared.

Deferred income taxes

SMS provides for income taxes using the tax allocation method whereby provisions for income taxes are recorded when the revenues or expenses giving rise to the taxes are recognized in the consolidated financial statements, rather than when such items are taxed. The amounts in respect of such timing differences are recorded as deferred income taxes.

Derivatives

SMS enters into interest rate swap agreements and other derivative financial instruments to manage its exposure to interest rate risk. Interest rate swaps are normally designated as hedges (reducing interest rate risk), and any gains or losses are recognized on the same basis as, and netted against, the interest income or expense related to the hedged item.

Assets under administration

SMS administers certain assets in the capacity of custodian for others and loans that have been securitized and sold. Assets under administration are not the property of SMS and are not reflected in the consolidated financial statements. Revenue from service fees earned for administration is recorded in other income.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. CASH RESOURCES

	1999	1998
Cash on hand, deposits with banks and Credit Union Central of British Columbia, cheques and other items in transit	**29,050**	13,475
Demand and term deposits with Credit Union Central of British Columbia, due within one year	**300,058**	235,838
Bankers acceptances, commercial paper and other money market notes, due within one year	**11,283**	64,162
Accrued interest	**5,019**	4,252
	345,410	317,727

3. LOANS

	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
1999				
Loan principal	**1,448,570**	**176,060**	**303,480**	**1,928,110**
Accrued interest	**3,727**	**280**	**1,729**	**5,736**
Total loans	**1,452,297**	**176,340**	**305,209**	**1,933,846**
Allowance for credit losses	**1,438**	**1,310**	**2,265**	**5,013**
	1,450,859	**175,030**	**302,944**	**1,928,833**
Impaired loans	**2,931**	**199**	**67**	**3,197**
Less amounts where loss is not expected	**2,672**	**73**	**—**	**2,745**
Specific allowances	**259**	**126**	**67**	**452**
General allowances	**1,179**	**1,184**	**2,198**	**4,561**
	1,438	**1,310**	**2,265**	**5,013**

	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
1998				
Loan principal	1,355,532	178,218	268,198	1,801,948
Accrued interest	3,683	290	1,754	5,727
Total loans	1,359,215	178,508	269,952	1,807,675
Allowance for credit losses	1,333	1,312	1,986	4,631
	1,357,882	177,196	267,966	1,803,044
Impaired loans	3,881	176	67	4,124
Less amounts where loss is not expected	3,427	29	—	3,456
Specific allowances	454	147	67	668
General allowances	879	1,165	1,919	3,963
	1,333	1,312	1,986	4,631

3. LOANS (CONTINUED)

	1999	1998
ALLOWANCE FOR CREDIT LOSSES		
Balance, beginning of year	**4,631**	3,152
Provision, before recoveries of $190 (1998 - $180)	**2,000**	2,331
	6,631	5,483
Write-offs	**(1,618)**	(852)
Balance, end of year	**5,013**	4,631
Percentage of total loans	**0.26**	0.26

4. OTHER ASSETS

	1999	1998
INVESTMENTS		
Shares, Credit Union Central of British Columbia	**10,245**	9,650
OTHER		
Accounts receivable	**841**	788
Deferred leasing costs	**109**	152
Prepaid expenses	**4,624**	4,124
Deferred income taxes	**1,785**	2,139
Other	**115**	124
	7,474	7,327
	17,719	16,977

5. PREMISES AND EQUIPMENT

	Cost	Accumulated amortization	1999 Net book value	1998 Net book value
Land	3,402	—	**3,402**	3,402
Buildings	12,646	5,297	**7,349**	7,772
Leasehold improvements	6,293	2,939	**3,354**	3,363
Computer and telephone equipment	16,425	12,758	**3,667**	2,714
Furniture and other equipment	11,813	8,442	**3,371**	3,711
	50,579	29,436	**21,143**	20,962

6. DEPOSITS

	1999	1998
Demand	**262,482**	270,384
Term	**1,283,176**	1,172,735
Registered savings plans	**545,014**	523,123
Preferred shares	**8,857**	8,270
Accrued interest	**35,332**	34,942
	2,134,861	2,009,454

Preferred shares included in deposits comprise an unlimited number of non-transferable, cumulative, redeemable shares with a par value of $1 each, issued as a condition of membership to a maximum of 1,000 shares per member. Each share is entitled to a cumulative dividend at a floating rate equal to SMS's average daily prime rate of interest during the year and is redeemable at par value on withdrawal of membership.

7. OTHER LIABILITIES

	1999	1998
Deferred mortgage prepayment penalties	**2,749**	3,547
Interest payable	**906**	1,378
Deferred rental income	**421**	744
Other, including accounts payable and accruals	**5,022**	5,464
	9,098	11,133

8. BORROWINGS

Maturity date	Interest rate %	1999	1998
CREDIT UNION CENTRAL OF BRITISH COLUMBIA			
August 20, 1999	6.92	—	10,000
October 20, 1999	5.80	—	5,000
August 30, 2000	7.25	**10,000**	10,000
September 18, 2000	7.40	**20,000**	20,000
August 21, 2001	7.52	**5,000**	5,000
		35,000	50,000
SYNDICATED BANK BORROWINGS			
February 4, 2000	5.53	**40,000**	—
		75,000	50,000

Credit facility

SMS has established a credit facility of $50,000,000 (1998–$50,000,000) with a Canadian chartered bank and a credit limit of $15,000,000 (1998–$15,000,000) for interest rate swaps. These credit facilities are secured by a first floating charge on certain residential mortgages ranking in priority to the security of Credit Union Central of British Columbia. The facilities must be repaid by June 30, 2003. As at December 31, 1999, borrowings under these facilities were $Nil and a letter of credit in the amount of $15,000,000 was outstanding.

Credit Union Central of British Columbia

The borrowings are secured by a demand debenture in the amount of $57,000,000 in favour of Credit Union Central of British Columbia, which creates a floating charge on assets and undertakings of SMS, and an assignment of book debts. Interest is payable semiannually.

Syndicated bank borrowings

Borrowings syndicated by four financial institutions, for up to $115,000,000 (1998–$115,000,000), are secured by a $230,000,000 floating charge and a security interest on assets and undertakings of SMS. The syndicated bank borrowings are subordinated in right of repayment of borrowings to a Canadian chartered bank and Credit Union Central of British Columbia up to $300,000,000. Repayment of individual term loans provided under these borrowings is required by no later than July 2003. This maturity date may be extended by mutual agreement. Interest is payable every 30 days for term loans due within 6 months and not less than semiannually for term loans of longer duration.

9. SUBORDINATED NOTES

Unsecured notes in the amount of $10,000,000 (1998–$10,000,000) bear interest at 8.98% per annum, are payable semiannually and mature on October 4, 2006. These notes are redeemable after October 4, 2001 and are subordinated in right of repayment of borrowings to a Canadian chartered bank, Credit Union Central of British Columbia, syndicated bank borrowings, and deposits.

10. SHARE CAPITAL

Authorized:

Non-voting shares

An unlimited number of transferable non-voting shares with a par value of $0.005 each, fully participating in earnings after payment of dividends on preferred shares included in deposit liabilities.

First preferred shares

An unlimited number of retractable first preferred shares without par value and without fixed dividend entitlements.

Issued and outstanding:

	1999		1998	
	Number of shares	Amount	Number of shares	Amount
NON-VOTING SHARES				
Beginning of year	**5,451,472**	**275**	5,663,672	276
Repurchased	—	—	(212,200)	(1)
Issued	**3,187**	**44**	—	—
End of year	**5,454,659**	**319**	5,451,472	275

First preferred shares

As at December 31, 1999, there were no first preferred shares issued and outstanding.

Stock options

Certain key employees have been granted options to purchase non-voting shares at prices based on the market price of the shares as determined on the date of the grant. The total stock options outstanding at December 31, 1999 are as follows:

Year granted	Price per share	Expiry date	Number of shares
1992	6.00	October 28, 2002	11,000
1993	9.88	November 3, 2003	11,000
1994	11.00	November 1, 2004	17,000
1995	8.50	October 30, 2005	32,000
1996	9.13	January 22, 2006	8,000
1996	11.40	October 28, 2006	44,000
1997	12.05	October 27, 2007	44,000
1998	15.25	May 19, 2003	90,000
1998	15.25	July 26, 2003	60,000
			317,000
Employee stock option plan			9,748
			326,748

11. CAPITAL REQUIREMENTS

The Financial Institutions Act requires SMS to maintain a capital base which is adequate in relation to its level of business activities. The level of capital required is based on a prescribed percentage of the total value of its risk-weighted assets, each asset of SMS being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset.

The Financial Institutions Act regulations prescribe that the minimum required capital base is 8% of the risk-weighted value of assets. At December 31, 1999, SMS had a capital base of 10.1% (1998 – 9.8%) of the total value of risk-weighted assets.

12. INTEREST INCOME

Interest income from loans includes $2,518,000 (1998– $2,389,000) of penalty income recorded for prepayment or renegotiation of fixed-term loans.

13. OTHER INCOME

	1999	1998
Account service fees	**7,202**	7,329
Commissions	**5,240**	5,469
Lending fees	**2,511**	2,340
Other	**1,619**	1,157
	16,572	16,295

14. GENERAL OPERATING EXPENSES

	1999	1998
Bonding and other insurance	**310**	369
Capital taxes	**922**	896
Chequing service charges	**1,575**	1,375
Data processing	**3,547**	4,548
Deposit insurance assessment	**996**	860
Dues, Credit Union Central of British Columbia	**414**	473
Marketing	**2,900**	2,582
Merger proposals	**1,961**	—
Professional and other services	**2,515**	2,301
Stationery, telephone and postage	**2,590**	2,656
Sundry	**2,402**	2,143
	20,132	18,203

15. INCOME TAXES

in percent	1999	1998
Reconciliation of income tax rate		
Combined federal and provincial income tax rate	**45.6**	45.6
Increase (decrease) resulting from:		
Adjustments for income eligible for reduced rate	**(25.5)**	(23.5)
Other, net	**5.1**	2.5
	25.2	24.6

The effective income tax rate is less than the basic Canadian corporation tax rate primarily as a result of an income tax rate reduction available to credit unions of up to 25.5%. Eligibility for this reduction is based upon the relationship between the level of deposits and accumulated pretax earnings that were previously taxed at the reduced rates.

16. COMMITMENTS

Lease commitments

SMS occupies branch premises under long term leases extending to 2005. Aggregate basic annual lease payments for each of the next five years are:

in thousands of dollars	
2000	1,713
2001	1,499
2002	1,258
2003	1,230
2004	1,032

Off-balance sheet commitments

In the normal course of business, SMS enters into various off-balance sheet commitments such as letters of credit and derivative contracts. The letters of credit and the notional principal amounts for derivative contracts reported below are not reflected in the consolidated balance sheets. Details of these are as follows:

Letters of credit

At December 31, 1999, SMS had outstanding letters of credit on behalf of customers in the amount of $5,641,000 (1998– $6,421,000). These letters of credit were fully secured by monies on deposit.

Derivative contracts

Interest rate swaps

At December 31, 1999, SMS had outstanding interest rate swap contracts in the notional principal amount of $40,000,000 (1998–$40,000,000) maturing at various times in part until 2001. Interest rate swaps are transactions in which two parties exchange interest flows on a specified notional principal amount for a predetermined period based on agreed-upon fixed and floating rates. Principal amounts are not exchanged and are not indicative of a credit exposure.

Index-linked contracts

At December 31, 1999, SMS had outstanding index-linked contracts in the notional principal amount of $13,777,000 (1998– $14,000,000). Index-linked contracts are transactions in which for a fee SMS can manage its exposure to changes in the value of index-linked deposit products. Principal amounts are not exchanged and are not indicative of a credit exposure.

17. MATURITIES

1999	Interest sensitive balances: Within 3 months	4 months to 1 year	Over 1 to 5 years	Not interest sensitive	Total
ASSETS					
Cash resources	**108,533**	**202,808**	**—**	**34,069**	**345,410**
Yield	**5.06**	**5.12**	**—**		
Loans	**401,150**	**325,354**	**1,201,609**	**720**	**1,928,833**
Yield	**7.83**	**7.12**	**6.62**		
Other	**—**	**10,245**	**—**	**28,617**	**38,862**
Yield	**—**	**4.70**	**—**		
	509,683	**538,407**	**1,201,609**	**63,406**	**2,313,105**
Yield	**7.24**	**6.32**	**6.62**		**6.50**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits	**888,393**	**585,275**	**625,420**	**35,773**	**2,134,861**
Yield	**4.24**	**4.67**	**4.92**		
Borrowings and subordinated notes	**40,000**	**30,000**	**15,000**	**—**	**85,000**
Yield	**5.53**	**7.35**	**8.49**		
Other	**—**	**—**	**—**	**93,244**	**93,244**
Yield	**—**	**—**	**—**		
	928,393	**615,275**	**640,420**	**129,017**	**2,313,105**
Yield	**4.30**	**4.81**	**5.00**		**4.39**
Derivatives, net	**—**	**40,000**	**(40,000)**	**—**	**—**
Interest sensitivity position	**(418,710)**	**(36,868)**	**521,189**	**(65,611)**	**—**

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating rates, or due on demand, are classified as maturing within three months, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

1998	Interest sensitive balances: Within 3 months	4 months to 1 year	Over 1 to 5 years	Not interest sensitive	Total
ASSETS					
Cash resources	187,008	112,992	—	17,727	317,727
Yield	4.96	5.07	—		
Loans	251,749	278,952	1,271,248	1,095	1,803,044
Yield	8.13	7.04	6.99		
Other	—	9,650	—	28,289	37,939
Yield	—	4.84	—		
	438,757	401,594	1,271,248	47,111	2,158,710
Yield	6.78	6.43	6.99		6.69
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits	764,887	604,809	604,816	34,942	2,009,454
Yield	3.68	5.10	5.60		
Borrowings and subordinated notes	—	15,000	45,000	—	60,000
Yield	—	6.55	7.73		
Other	—	—	—	89,256	89,256
Yield	—	—	—		
	764,887	619,809	649,816	124,198	2,158,710
Yield	3.68	5.14	5.75		4.51
Derivatives, net	—	40,000	(40,000)	—	—
Interest sensitivity position	(326,130)	(178,215)	581,432	(77,087)	—

A significant amount of loans and deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Estimated fair values of SMS's financial instruments are set out below. No fair values have been determined for premises and equipment, goodwill or any other asset and liability that is not a financial instrument. The estimated fair values of cash resources, variable rate loans, other assets and liabilities are assumed to equal their book values. The fair values of fixed rate loans and deposits are determined by discounting the expected future cash flows at the estimated current market rates for loans and deposits with similar characteristics.

The difference between the book and fair values of SMS's loans, deposits and other financial instruments is due primarily to changes in interest rates. As SMS normally holds these instruments to maturity, the book values have not been adjusted to reflect the differences. Not all financial instruments are readily marketable. As a result, the estimates of fair value are subjective and should not be considered precise.

	1999			1998		
	Book value	Fair value	Difference	Book value	Fair value	Difference
ASSETS						
Cash resources	**345,410**	**345,172**	**(238)**	317,727	318,049	322
Loans	**1,928,833**	**1,888,776**	**(40,057)**	1,803,044	1,817,075	14,031
Other	**10,245**	**10,250**	**5**	10,438	10,438	—
LIABILITIES						
Deposits	**2,134,861**	**2,122,439**	**(12,422)**	2,009,454	2,015,301	5,847
Borrowings	**75,000**	**75,137**	**137**	50,000	51,126	1,126
Subordinated notes	**10,000**	**10,014**	**14**	10,000	10,043	43
Other	**5,928**	**5,928**	**—**	6,842	6,842	—
DERIVATIVES CONTRACTS						
Interest rate swaps	—	**(666)**	**(666)**	—	(1,024)	(1,024)
Index-linked contracts	—	**4,203**	**4,203**	—	4,779	4,779

19. FUTURE ACCOUNTING CHANGES

Corporate income taxes

The Canadian Institute of Chartered Accountants (CICA) issued a new accounting standard for income taxes, effective for fiscal year 2000.

The standard will require adoption of the liability method whereby the measurement of future income tax assets and liabilities would be at the tax rates expected to apply when the asset is realized or the liability settled.

The adoption of this new standard is not expected to have a material impact on the consolidated financial statements.

Employee future benefits

The CICA issued a new accounting standard for employee future benefits, effective for fiscal year 2000.

For pension benefits, the new standard will require the use of current market rates to estimate the present value of the pension liability. As well, any substantive commitment to provide future benefits must be accrued. For employee future benefits other than pensions, the new standard will require the recognition of employer's expected cost and obligation of providing postretirement health benefits, as employees earn the entitlement to benefits. The calculation of the obligation is similar to pensions in that it is actuarially based.

The impact on the consolidated financial statements and method of adoption are currently being assessed.

20. OTHER INFORMATION

At December 31, 1999 outstanding loans to directors, officers and employees totalled $37,998,000 (1998–$37,409,000), which included 327 mortgages totalling $33,539,000 and 944 other loans totalling $4,459,000.

During the year, directors, in their capacity as directors, received remuneration of $200,000 (1998–$97,500).

Selected Quarterly Consolidated Financial Data

Unaudited *in thousands of dollars*	**Dec 31/99**	Dec 31/98	**Sep 30/99**	Sep 30/98	**Jun 30/99**	Jun 30/98	**Mar 31/99**	Mar 31/98
BALANCE SHEETS								
Assets								
Cash resources	**345,410**	317,727	**235,860**	212,101	**232,044**	191,159	**209,136**	194,806
Loans	**1,928,833**	1,803,044	**1,901,168**	1,786,624	**1,874,474**	1,752,493	**1,851,385**	1,716,275
Other	**17,719**	16,977	**18,957**	15,367	**17,677**	15,520	**17,457**	15,388
Premises and equipment	**21,143**	20,962	**19,843**	22,053	**20,263**	21,681	**20,724**	21,998
	2,313,105	2,158,710	**2,175,828**	2,036,145	**2,144,458**	1,980,853	**2,098,702**	1,948,467
Liabilities								
Deposits	**2,134,861**	2,009,454	**1,937,270**	1,753,640	**1,859,530**	1,707,191	**1,856,961**	1,673,864
Other	**9,098**	11,133	**11,916**	10,558	**12,682**	11,637	**10,065**	9,184
Borrowings	**75,000**	50,000	**134,000**	185,000	**182,000**	176,000	**142,000**	180,000
	2,218,959	2,070,587	**2,083,186**	1,949,198	**2,054,212**	1,894,828	**2,009,026**	1,863,048
Subordinated notes	**10,000**	10,000	**10,000**	10,000	**10,000**	10,000	**10,000**	10,000
Shareholders' equity								
Share capital	**319**	275	**320**	275	**320**	275	**320**	276
Retained earnings	**83,827**	77,848	**82,322**	76,672	**79,926**	75,750	**79,356**	75,143
	84,146	78,123	**82,642**	76,947	**80,246**	76,025	**79,676**	75,419
	2,313,105	2,158,710	**2,175,828**	2,036,145	**2,144,458**	1,980,853	**2,098,702**	1,948,467
INCOME STATEMENTS								
Interest income	**37,097**	35,598	**36,178**	35,071	**35,310**	33,770	**35,032**	32,368
Interest expense	**24,910**	23,429	**23,503**	22,424	**22,951**	21,197	**22,846**	20,294
Net interest income	**12,187**	12,169	**12,675**	12,647	**12,359**	12,573	**12,186**	12,074
Provision for credit losses	**749**	1,415	**352**	364	**345**	190	**364**	182
	11,438	10,754	**12,323**	12,283	**12,014**	12,383	**11,822**	11,892
Other income	**4,009**	3,926	**4,027**	4,032	**4,299**	4,184	**4,237**	4,153
	15,447	14,680	**16,350**	16,315	**16,313**	16,567	**16,059**	16,045
Non-interest expenses	**13,791**	13,667	**12,372**	12,086	**13,542**	12,407	**13,547**	12,041
	1,656	1,013	**3,978**	4,229	**2,771**	4,160	**2,512**	4,004
Provision for income taxes	**(940)**[1]	(1,665)[1]	**1,582**	1,676	**1,110**	1,676	**1,004**	1,614
Net income	**2,596**	2,678	**2,396**	2,553	**1,661**	2,484	**1,508**	2,390
Earnings per non-voting share in dollars								
Basic	**0.48**	0.49	**0.44**	0.46	**0.30**	0.44	**0.28**	0.42
Fully diluted	**0.45**	0.47	**0.41**	0.44	**0.29**	0.42	**0.26**	0.41
Non-voting shares in thousands								
As at basic	**5,455**	5,451	**5,455**	5,485	**5,455**	5,601	**5,455**	5,654
As at fully diluted	**5,781**	5,772	**5,778**	5,802	**5,775**	5,858	**5,776**	5,821
Average basic	**5,455**	5,468	**5,455**	5,543	**5,455**	5,628	**5,453**	5,658
Average fully diluted	**5,780**	5,790	**5,777**	5,825	**5,775**	5,840	**5,774**	5,826

[1] *The fourth quarter income tax amount reflects the change from a 40% tax rate estimate in the first three quarters to an actual 25.2% for the year (1998–24.6%).*

Ten-Year Overview

As at Dec 31 *in thousands of dollars*	**1999**	1998	1997	1996	1995	1994	1993	1992	1991	1990
BALANCE SHEETS										
Assets										
Cash resources	**345,410**	317,727	223,284	192,745	173,392	149,428	149,692	161,400	143,682	173,184
Securities	**—**	—	—	27,217	57,178	44,873	—	—	—	—
Loans	**1,928,833**	1,803,044	1,668,350	1,548,486	1,444,649	1,221,162	1,056,657	964,559	841,739	697,570
Other	**17,719**	16,977	15,027	17,254	16,514	15,137	15,361	14,708	15,252	19,964
Premises and equipment	**21,143**	20,962	22,716	22,465	22,794	18,471	15,412	14,499	13,867	12,591
	2,313,105	2,158,710	1,929,377	1,808,167	1,714,527	1,449,071	1,237,122	1,155,166	1,014,540	903,309
Liabilities										
Deposits										
Demand	**271,356**	278,667	280,529	311,254	281,187	274,229	289,041	323,102	335,981	342,185
Term	**1,303,275**	1,192,820	916,888	785,605	772,415	652,222	531,321	465,617	378,794	332,947
RRSP	**560,230**	537,967	525,740	522,402	469,592	371,643	313,653	268,781	230,723	199,046
	2,134,861	2,009,454	1,723,157	1,619,261	1,523,194	1,298,094	1,134,015	1,057,500	945,498	874,178
Other	**9,098**	11,133	13,073	12,369	8,705	10,141	10,439	13,127	9,750	4,197
Borrowings	**75,000**	50,000	110,000	100,000	123,000	84,000	45,000	45,000	30,000	3,250
	84,098	61,133	123,073	112,369	131,705	94,141	55,439	58,127	39,750	7,447
Subordinated notes	**10,000**	10,000	10,000	10,000	—	3,000	3,000	3,000	3,000	3,000
Shareholders' equity										
Share capital	**319**	275	276	276	208	76	76	28	—	—
Retained earnings	**83,827**	77,848	72,871	66,261	59,420	53,760	44,592	36,511	26,292	18,684
	84,146	78,123	73,147	66,537	59,628	53,836	44,668	36,539	26,292	18,684
	2,313,105	2,158,710	1,929,377	1,808,167	1,714,527	1,449,071	1,237,122	1,155,166	1,014,540	903,309
Years ended Dec 31 *in thousands of dollars*										
INCOME STATEMENTS										
Interest income	**143,617**	136,807	126,973	138,562	134,507	106,397	100,150	102,672	104,696	103,855
Interest expense	**94,210**	87,344	83,084	95,099	96,530	67,079	64,868	70,983	77,156	82,342
Net interest income	**49,407**	49,463	43,889	43,463	37,977	39,318	35,282	31,689	27,540	21,513
Provision for credit losses	**1,810**	2,151	984	1,031	466	491	492	527	495	559
	47,597	47,312	42,905	42,432	37,511	38,827	34,790	31,162	27,045	20,954
Other income	**16,572**	16,295	15,068	13,235	11,975	11,591	10,598	10,017	8,692	8,572
	64,169	63,607	57,973	55,667	49,486	50,418	45,388	41,179	35,737	29,526
Non-interest expenses	**53,252**	50,201	46,135	43,584	39,059	35,353	32,583	30,537	25,886	22,140
Net income before income taxes	**10,917**	13,406	11,838	12,083	10,427	15,065	12,805	10,642	9,851	7,386
Income taxes										
Current	**2,756**	3,301	3,378	3,143	2,050	3,328	3,334	3,425	2,628	1,726
Deferred	**—**	—	(415)	(165)	456	313	(302)	(1,080)	(385)	(181)
	2,756	3,301	2,963	2,978	2,506	3,641	3,032	2,345	2,243	1,545
Net income	**8,161**	10,105	8,875	9,105	7,921	11,424	9,773	8,297	7,608	5,841
FINANCIAL STATISTICS										
Asset growth in percent	**7.15**	11.90	6.70	5.50	18.30	17.10	7.09	13.86	12.31	9.21
Loan growth in percent	**6.98**	8.10	7.70	7.20	18.30	15.60	9.54	14.59	20.67	13.35
Deposit growth in percent	**6.24**	16.61	6.40	6.31	17.34	14.47	7.24	11.85	8.18	9.55
Percentage of average assets										
Net interest income	**2.27**	2.46	2.35	2.45	2.41	2.97	2.92	2.90	2.87	2.45
Other income	**0.76**	0.81	0.81	0.74	0.76	0.88	0.89	0.92	0.91	0.99
Non-interest expenses	**2.44**	2.50	2.47	2.45	2.48	2.67	2.73	2.82	2.70	2.58
Percentage return on										
Average assets	**0.37**	0.50	0.47	0.51	0.50	0.86	0.81	0.76	0.79	0.68
Average NV equity	**10.08**	13.31	12.70	14.42	14.02	23.26	24.19	25.83	33.46	35.91
Book value per NV share in dollars	**15.43**	14.33	12.92	11.75	10.54	9.55	7.92	6.49	4.68	3.32
Earnings per NV share in dollars	**1.50**	1.81	1.57	1.61	1.40	2.03	1.73	1.47	1.35	1.04
Earnings per NV share fully diluted in dollars	**1.41**	1.74	1.53	1.59	1.39	2.02	1.72	1.47	1.35	1.04

The Board of Directors and management of Surrey Metro Savings believe in the importance of good corporate governance, recognizing that it is central to strong and consistent performance by the Credit Union. Good corporate governance requires more than having appropriate structures, processes and policies in place; it also requires sound ethics, integrity, judgement and values throughout the organization. Surrey Metro Savings directors, officers and employees have made a strong commitment to these principles and values; they are what make us successful and well governed.

The Toronto Stock Exchange has issued 14 guidelines for effective corporate governance, and Surrey Metro Savings adheres to each of these guidelines:

1. *The Board should explicitly assume responsibility for the stewardship of the corporation:* The Board of Directors has a formal mandate with the responsibility for the stewardship of the Credit Union, which it discharges by establishing policy and supervising management. The day-to-day management of the business and affairs of the Company are delegated by the Board to the CEO and other executive officers.

a. *Adoption of a strategic planning process:* Long-term goals and strategies for the Company are developed as part of the Board's annual strategic planning process. This annual off-site session is attended by the full Board and executive officers, and the three-year strategic plan is reviewed and approved by the Board at this time. Through an annual budgeting process later in the year, the Board adopts the operating budget, capital budget and business plans for the coming year, and then monitors management's progress through a quarterly reporting and review process.

b. *Identification of principal risks and implementing risk management systems:* The Board identifies the principal risks of the business in its deliberations, particularly during the strategic planning and budgeting processes. The Board monitors these risks through established Board committees and systems, policies, procedures and control mechanisms.

c. *Succession planning and monitoring senior management:* The Human Resources Committee of the Board annually reviews the Company's succession plan, including the appointment, training and monitoring of senior management. This Committee oversees the formal evaluation of the CEO, and assesses the CEO's achievement of corporate objectives.

d. *Communications policy:* The Chief Financial Officer oversees an investor and shareholder relations program. The program involves providing information with respect to reported financial results and other announcements by the Company to a broad spectrum of investors and other stakeholders. Shareholder concerns of a significant nature are directed to the CEO and CFO for information and resolve, and management reports to the Board on these matters and other major shareholder and investor matters.

e. *Integrity of internal control and management information systems:* The integrity of the Company's internal control and management information system is monitored by the Board and its Committees. The Board has six standing committees: Executive, Audit, Human Resources, Conduct Review, Governance, and Investment & Loan. Each committee is comprised of three directors and the Chair serves ex-officio on those committees to which he/she has not otherwise been elected or appointed. The CEO also serves ex-officio on each committee, and each committee has available to it as a resource such members of management as may from time to time be determined to be appropriate. The Board determines the powers and responsibilities of each committee and reviews the authority and mandate of each committee annually.

The *Executive Committee* acts as a sounding board for the CEO on matters requiring Board involvement. This committee also acts in emergency circumstances as required between meetings of the full Board of Directors, and is responsible for representing the Company in certain credit union system and public relations matters.

The *Audit Committee* assesses, influences, and helps to set the tone for quality financial reporting and sound internal controls. The committee also assesses the accounting principles and underlying risks, and assesses the adequacy and effectiveness of internal controls.

The *Human Resources Committee* reviews and assesses the CEO's achievement of corporate objectives, and also analyzes the policies and strategies with respect to the payment of salaries and benefits, incentive compensation and succession planning, which includes the appointment, training and monitoring of senior management.

The *Conduct Review Committee* ensures that policies and procedures are in place to deal with related party transactions, conflicts of interest, and disclosure of identity to customers as it relates to third-party transactions.

The *Governance Committee* ensures that the vision and strategic direction of Surrey Metro Savings is reviewed annually and that the Board and its committees carry out their functions in accordance with due process. In addition, this Committee assesses the effectiveness of the Board and its committees, and the contributions of each individual director. The Committee has the responsibility to address governance issues, and to identify, recruit, nominate, endorse, recommend appointment of, and orient new directors.

The *Investment & Loan Committee* is mandated to ensure that the Company adheres to prudent policies in making investment and lending decisions, in giving guarantees and committing the Company to other financial obligations, in writing down the value of investments and loans on its books, and in managing its investments and loans, including its subsidiary companies.

2. *Majority of directors should be unrelated (free from any interests or relationship which could, or could reasonably be perceived, to materially interfere with the director's ability to act in the best interests of the corporation, other than interests arising from shareholdings); and disclosure of significant shareholder (ability to exercise a majority of votes to elect the directors):* The nine member Board of Directors is elected by the members of Surrey Metro Savings, on a one-member, one-vote basis. The Board has no related directors. The nine unrelated directors are independent of management and are free from any interest, business or other relationships that could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Company. Surrey Metro Savings has no significant shareholder as defined in the TSE report.

3. *Disclosure for each director, whether he or she is related, and how that conclusion was reached:* None of the directors of the Credit Union or their associates has worked for Surrey Metro Savings; has material contracts with Surrey Metro Savings; nor received remuneration from Surrey Metro Savings in excess of fees and compensation as directors and committee members. This was determined through the Credit Union's annual documentation completion and review.

4. *Appointment of a committee responsible for appointment/assessment of directors; and comprised exclusively of non-management directors, a majority of whom are unrelated:* The Governance Committee of the Board identifies, recruits, nominates, endorses, and where applicable, recommends appointment of new directors. The Committee annually develops criteria which reflect the needs of the Board in recruiting new directors. The Committee meets with, interviews and evaluates potential candidates to ensure that the Board is constituted with individuals of diverse background talents and experience and to ensure that when a vacancy occurs, qualified candidates are available to meet the established annual criteria for directors. The Governance Committee is comprised exclusively of non-management directors, all unrelated.

5. *Implement a process for assessing effectiveness of the Board, its Committees and individual directors:* The Governance Committee is responsible for assessing the effectiveness of the Board as a whole, its Committees, and the contribution of each individual director.

6. *Provide orientation and education programs for new Board members:* The Governance Committee ensures orientation of new directors. New Board members receive a directors' orientation, and a director's manual is provided to all directors, which is updated from time to time. Credit Union legislation in BC mandates that all new directors must complete the first four modules of the Credit Union Director Achievement (CUDA) program within one year of election or appointment to the Board. These mandatory four modules are: Credit Unions in Perspective; Roles, Responsibilities & Relationships; Legal Responsibilities & Legislative Environment; and Financial Management & Analysis. Directors may continue on with this CUDA training by electing to take additional training modules that cover the following topics: Leadership; Planning & Policy Making; Risk Management; Board Development & Performance Evaluation; Management Recruitment, Performance Planning & Evaluation; Credit; Audit Committee; Financial Management & Analysis II; and Making Meetings Work.

7. *Consider the size of the Board, with a view to improving effectiveness:* Surrey Metro Savings' present Board size of nine directors brings the necessary skills and experience to form an effective decision making body. The Governance Committee assesses the size and composition of the Board to ensure it has all of the necessary constituents for effective decision making. The maximum length for a director's single term of office is three years. A director may serve more than one term, but not more than three consecutive three-year terms. Each year, three of the nine director seats come up for election.

8. *Review compensation for directors in light of risks and responsibilities:* The Governance Committee is mandated to periodically review the remuneration paid to directors in recognition of their role on the Board. Changes in set remuneration must be approved by the members of Surrey Metro Savings.

9. *Committees should be generally composed of outside, unrelated directors:* Committees are comprised solely of outside, unrelated directors. The CEO serves ex-officio on each committee, and each committee also has available to it such other members of management as may from time to time be determined to be appropriate as resources.

10. *Appoint a committee responsible for corporate governance issues:* The Governance Committee is mandated to be responsible to the Board for governance of Surrey Metro Savings, including the Company's approach to corporate governance issues, and the relationship of the Board to management.

11. *Develop position descriptions for the Board and the CEO; define limits to management's responsibilities; and approve the objectives of the CEO:* The Board of Directors, individual directors, and the CEO each has an express written mandate. The CEO's limits of authority are clearly defined. The Board must approve all decisions involving unbudgeted capital or operating expenditures in excess of the CEO's limit. The CEO's annual goals and objectives constitute his mandate on a year-to-year basis, and these include specific quantifiable goals. The Human Resources Committee approves the CEO's specific objectives on an annual basis. These objectives are considered and adopted by the Board.

12. *Establish procedures to enable the Board to function independently of management:* Surrey Metro Savings has a Chairman separate from management, and the Board functions independently of management. The Chairman's role is to ensure that full and effective reporting and communication is established between the CEO and the Board of Directors, and that all proper business for consideration of the Board of Directors is brought forward to its meetings. The Chairman is also either a member of all Board committees, or an ex-officio member. The Board meets once a year without management when it assesses the performance of the CEO, and also meets in-camera at other times deemed appropriate or as requested by directors.

13. *Establish an audit committee with a specifically defined mandate; and all audit committee members should be outside directors:* The Audit Committee, comprised solely of outside directors, is responsible for monitoring corporate compliance and influencing quality financial reporting and sound internal controls. Its mandate is to annually:
    - review the audit engagement letter, audit plans, timing and scope of the external audit;
    - review the representation letter to the external auditor;
    - review the annual audit report, audited financial statements, management's discussion and analysis, accompanying media releases and quarterly reports;
    - review inspection reports prepared by the Superintendent of Financial Institutions and the recommended response;
    - review all financial information issued by the Credit Union and its subsidiaries prior to publication in the annual report, annual information form, or prospectus;
    - review the recommendations of the officers of the Credit Union as to the reappointment or appointment of the external auditors;
    - review annual audit fees in the context of the plan and scope of the audit;
    - make recommendations to the Board with respect to the appointment and remuneration of external auditors to be appointed at each Annual General Meeting.

14. *Implement a system to enable individual directors to engage outside advisors at the Company's expense:* The Board has adopted a policy that enables the Board of Directors, Board committees, or an individual director, to engage an outside advisor at the expense of Surrey Metro Savings with the authority of the Governance Committee.

BOARD OF DIRECTORS

Committee membership indicated by numbers following names

Bruce H. Chapman[1,2,3]
Chairman
President
Aerofund, Inc.

Frank L. Harper[1,2,5]
Senior Vice Chairman
President
ThrillTime Entertainment International, Inc.

Tom R. Kirstein[1,4,6]
Vice Chairman
Chartered Accountant
Kirstein, Neidig and Vance

Douglas T. Stone[2,3]
Director of Operations
City of White Rock

Rodney C. Bergen[5]
Managing Director
Tax and Financial Analysis
Jim Pattison Industries Ltd.

Michael A. McCartney[5,6]
Partner
Bouchard and Co.

J. Amber Goddyn[3,4]
Notary Public

John Jansen[4,6]
President
Fraser Pacific Group of Companies

Steven D. Moore[2]
Vice President
Moore & Associates

Committees of the Board of Directors

1 Executive
2 Governance
3 Human Resources
4 Conduct Review
5 Investment and Loan
6 Audit

EXECUTIVE OFFICERS

Lloyd M. Craig
President and Chief Executive Officer

Hermann G. Bessert
Chief Financial Officer

Robert H. Caldwell
Chief Operating Officer

J. Patrick Hagan
Vice President, Information Systems

Kenneth G. Hahn
Vice President, Human Resources

Rodney A. Marr
Vice President, Credit

James E. Miller
Vice President, Marketing

David F. Finner
Assistant Vice President, Branch Operations

Herb J. Jamieson
Assistant Vice President, Branch Operations

Nancy J. McNeill
Assistant Vice President, Administration

L. Lynn Roberts
Assistant Vice President, Service Quality

ADMINISTRATION OFFICE

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CORPORATE SECRETARY

Cyndie Kremyr
Manager, Corporate Administration
Tel 604 517-7403

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510 Burrard Street
Vancouver BC V6C 3B9

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Grant Thornton LLP
Suite 400, 604 Columbia Street
New Westminster BC V3M 1A6

STOCK EXCHANGE LISTING

Toronto Stock Exchange (TSE)
Symbol: SMS

ANNUAL MEETING

The 53rd Annual General Meeting will be held on Wednesday, May 3, 2000 at 7:30 pm
Newlands Golf & Country Club
21025 – 48 Avenue
Langley BC Canada

DIVIDEND

Surrey Metro Savings' current policy is to declare semiannual dividends for its non-voting shares payable on December 1 and June 1 to shareholders of record on November 1 and May 1.



Surrey Metro Savings Credit Union

15117 – 101 Avenue
Surrey, British Columbia
Canada V3R 8P7

www.metrosavings.com

Imagine New Spirit of Community

Surrey Metro Savings is one of only 450 Canadian companies to earn recognition as a "Caring Company" by the Imagine Program, an initiative of the Canadian Centre for Philanthropy.